

MANAGEMENT

Vol. 6 No. 1

1986

GOING PRIVATE:

Milton Friedman
Jack Anderson
Stuart Butler
Gary Ackerman
Jim Boren

GOLDWATER'S TIPS FOR HOSTILE HEARINGS



PRIVATIZE FEDERAL SERVICES?

Many managers in state and local government are transforming their shops into share-issuing corporations which run water treatment, road construction and other operations. Is it also appropriate to "privatize" national tasks and properties, such as postal services?

"Yes, Britain is such an example. Twelve major enterprises involving 400,000 employees already have been privatized successfully. This has been good for management, employees, consumers and shareholders, and has played a significant role in the continuing growth of the British economy since 1981."

*Sir Oliver Wright, 65,
Former British
Ambassador to the
United States*



"To serve the public interest—that's the objective. Meretricious dogma, rarely fact, sustains the myth that groups organized for profit (often a euphemism for greed) achieve that purpose as well as publicly-responsible entities disciplined toward service. Even the current 'business-type' operations of postal functions is a great disappointment, costlier and less-dependable than its predecessor."

*O. Glenn Stahl, 76,
former Director, Bureau of
Policies and Standards,
U.S. Civil Service Commission,
and author of Public
Personnel Administration*



"I favor selling government assets on a case-by-case basis, but the federal government will not earn a windfall from such sales. Any reduction in the deficit will be fleeting because such sales do nothing to correct the fundamental imbalance between spending and revenues."

*William Proxmire, 70,
U.S. Senator (D-WI)*



"Privatization, as in the President's budget, is not only a sound idea but the right thing to do. Here within the Office of Personnel Management we are exploring how to make it an opportunity for employees rather than a threat. I hope we can create a 'win-win' situation for managers and employees to encourage them to increase reliance on the competitive, taxpaying private sector."

*Thomas J. Simon, 41,
Associate Director for
Administration, U.S. Office
of Personnel Management*



"We definitely need a national privatization policy to outline when it's appropriate to solicit outside contracts as well as try the more exotic forms of privatization, such as creating share-issuing corporations. If we dally, private companies will have 'cherry-picked' from government the most profitable operations—such as happened with the postal service."

*John E. Dever, 62,
President, International
City Management Association*



"Privatization has been promoted as a panacea for budget problems facing federal, state and local governments. However, the overwhelming evidence is that it is not the easy answer to the tough fiscal problems faced by managers. Further, it can lead to loss of accountability, high costs for reduced services and outright corruption."

*Gerald W. McEntee, 51,
President, American
Federation of State,
County and Municipal
Employees*





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"NEW" RECIPE RECALLED

By David A. Turner, Editor

Privatization, President Reagan's favorite budget initiative, isn't the only steamy managerial fare stewing this season. Another dish is being readied on the back burner by an enterprising gentleman known for nouvelle policy cuisine.

- "Weld public sector activities to private sector energies."
- "A new effort by the government to anticipate and help shape the future of our key industries."
- "Guidelines would be established for both prices and wages... (encourage) a single wage standard for the economy and a set of price standard for each major sector."

—New ideas from an advocate of a new democracy



Like Reagan, this gentleman promises perfect servings for two. "Think of it as a new partnership between managers in business and government," says the chef. Observers expect it to appear on the policy options menu directly opposite privatization projects listed as White House Specials. Which culinary coup will captivate Washington in fiscal '87?

The "partnership" alternative is meant to tickle the taste buds of federal employee unions. Its supporters promise larger portions of job security than the Reagan privatizers, and a heftier slice of the political power goodies. "Help shape the future of our key industries," sounds pretty filling to the average nine-to-five, especially if these employees are promised they needn't leave their federal jobs to help make policy in the private sector. Local press reaction? Unlike privatization, this dish gets a rave Phyllis Richman review taste untested.

But there are certain public/private combination platters from which managers on both sides of the table abstain. And a queasy feeling comes over most executives whenever plans for "mobilizing" corporate/state management structures are cooked up by Potomac planners.

Clearly, this chef's kitchen crew seems insistent about the alleged freshness of ingredients in their carefully stirred economic agenda. "No canned goods here!" they shout. Funny. The same Washington gourmets opposed to privatization because of its limited track record, laud the alternative because it so "new." Why the quick double standard with the springtime fresh factor? And what about the aromatic wage-and-price guidance by federal execs?

No spring roll that aged pork. Though unions like the scent, old timers among federal managers warn they've soured on wage-and-price authorities.

And not only in America.

Pizzatime for Duce and Italy

"By the slice!" he promised new powers to public employees and their professional associations. Yes, that was early on, 1926, but Mussolini guaranteed fast delivery.

Government managers made out like bandits, on paper and under the terms of Italy's "corporative legislation," writes D.L. Gemino in *Italian Fascist Party in Power*. Private managers were merged into a single network directed by career officials in the Ministry of Corporations. Threats of central government cutbacks evaporated when Fascists came to Rome.

Enter next, wage-and-price promises. Civil servants envisioned vastly expanded empires inside their secure job structures. Faced with the choice of politicizing their organizations or facing strict diets promised by competing parties, the five associations of public functionaries (plus a senior civil servants group) walked into Fascism's banquet for government. Literally, they joined the party.

The national educators' association picked up its fork first, followed closely by national public radio employees, long dominated by staffers remarkably loyal to the preferred dogma. Italian federal managers followed in 1928.

Too late they discovered wage/price and other political powers are intended to sock the guts, not fill the tummies of career execs. Plates stacked with goodies seldom made it to their end of the table, digestive problems did.

Maalox time hit when managers began feeling "discipline" rumblings from inside their previously independent associations. Security and power actually had not been handed to career groups. Worse, job applicants were being asked Fascist litmus questions. They were taking all the risks of political appointees but were fed almost none of their authority. Soon, promotions and transfers were directed by the associations rather than by agencies. The main entree arrived six years into Fascist rule. A new "ministry council" began shaping the future of key industries. That same year, however, all uncooperative managers were examined. First fired were executives like Luigi Federzoni linked to the old conservative parties which had refused to merge with Fascism. They were charged with resisting Mussolini's pressure to purge the bureaucracies. That was 1929. By early '33, civil servants wore uniforms.

Issue of stars

Our associations, public radio broadcasters and unions wouldn't, of course, sell out to a doctrine promising a bigger slice for government and near-permanent job security. Nor is a prominent political figure proposing managerial doctrines exhausted in the Fascist experiment. Still, some background on alternative "menus" might lend a different perspective to managers focusing on risks and opportunities under Plan A, the Reagan privatization approach.

Six different forms of privatization and their impacts on federal managers are examined in this issue. Some, like OPM Director Constance Horner's, appear here for the first time in any forum. Stuart Butler presents a model for "hiving off" (relinquishing) bureaus to federal managers. Jack Anderson asks for strong leadership by the White House, National Academy of Public Administration's Ray Kline critiques a Heritage-blessed film on the topic. Rep. Gary Ackerman urges caution before any projects are turned back to the general public and Jim Boren, as ever, probes the lighter side. **Management** offers the most comprehensive overview of this truly new management policy yet to be published in the U.S. ■

NITTY GRITTY



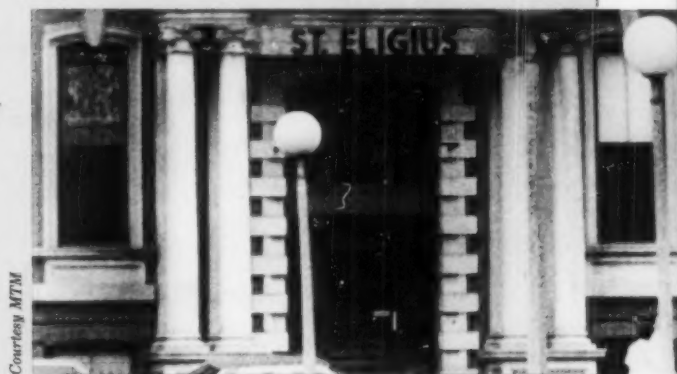
NBC's *St. Elsewhere* deserve a thumbs down for a recent rap on public employees. "What do you call 500 bureaucrats on the bottom of the Potomac River?" cracks a disgruntled character. Answer: "A start." The brunt of his remark is the TV hospital's procurement chief, played by Nancy Stafford, who usually receives sympathetic treatment by network scribes. Her character has served as a model for real-world public managers who must fend off unrepentant big-spenders inside bureaucracies.



David Packard

In thought, word and deed. "Privatize" is not a word, charge some critics of transferring government operations into the private sector. Would-be lexicologists please note Webster's Ninth New Collegiate Dictionary (1983) includes a succinct definition: "to make private, esp. to change (as a business or industry) from public to private control or ownership." Random House College Dictionary plans to include the word in its upcoming edition.

Breakfast club. Hosting a "Breakfast of Champions," the Public Employees Roundtable led an orange juice toast to three model organizations. Army's Community and Family Support Center, Agriculture's (Minnesota) Food Inspection Division and Maryland's Department of Utilities in Anne Arundel County were honored by Roundtable chair Jerry Shaw and OPM Director Constance Horner. "They've created great organizations," says Shaw. Equally impressed, Horner adds, "With so much media focus on budget issues, it's important to appreciate the human elements in government. These individuals have had their shoulders to the wheel."



Witnessing waves of support for the radical merit pay system being tested in China Lake and San Diego, the President recently crested the tide by signing a proposal to extend the plan throughout government. Employee attitude surveys show overall job satisfaction is higher at these Navy Department sites than at the control labs, reports *Washington Post*. Navy employees have worked for five years under a six-band performance pay system (instead of government's traditional 18 grades). Managers report greater flexibility to hire, fire and promote according to individual performances. "This reform is as significant as the Civil Service Reform Act," says Office of Personnel Management head Constance Horner. Quick to catch the wave was David Packard of the Commission for Defense Management. Says Packard, "China Lake's flexible policies would help Defense compete with private employers."

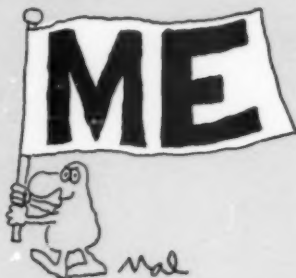




Illustration by Susan Gallagher

Color SES handsome. Obsession with "beauty" is not limited to the jet-setting stars derided in Carly Simon's song, *You're So Vain*, says *Dun's Business Month*. Washington's male executives have entered the ego market and are flocking to hair transplant centers, cosmetic surgeons and tanning salons to make themselves more attractive to potential employers. Federal execs and private sector types who choose the option will pay dearly for the makeovers: face-lifts run \$1,500 to \$8,000, nose and eyelid surgery, \$1,000 to \$4,500.

Getting while it's good. Buy equipment to-day and get it "whenever" has been the routine for procurement through General Services Administration (GSA). No more, says GSA Chief Terence Golden. "Go-for-12 will end the ADP/telecommunications equipment nightmare," says Golden, who guarantees managers' orders will be filled within 12 months. He tells Management the new timetable puts GSA on par with private sector suppliers. Agriculture, Navy and Health and Human Services are testing the new program.



Silvered temples. Managers looking for a classy way to mark career milestones or retirements may give gold and silver. Emblems pressed from these precious "metals" appear on hot-selling parchment certificates stocked by Government Printing Office. "At 12¢ apiece, managers can show their appreciation without draining office budgets," says Richard Brengel, who heads Office of Personnel Management's Incentive Awards Branch. The deadline for first-round certificate orders, which topped 250,000, has closed. But managers may be able to claim copies from their administrative offices.

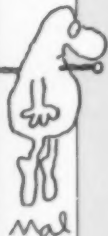
Artful dodgers need not apply. Uncle Sam's civil service does not want men born after December 31, 1959, if they never registered for the draft, says Office of Personnel Management (OPM). A new statute, part of the Defense Authorization Act, prohibits executive agencies from hiring these men if they were eligible and failed to check in with Selective Service. OPM also has asked agencies to confirm that men hired since November '85, when the law took effect, have registered.

Trekkie tech. A standard tool for 21st century federal inspectors may resemble a device wielded by crew members of *Star Trek's Enterprise*. University of Michigan is designing a "tricorder" which could be used to detect and measure toxic gases in manufacturing plants. "These air monitors should be able to tell you instantly what's in the air and how much," says associate professor Steven Levine. Occupational Safety and Health Administration (OSHA) inspectors are responsible for checking the air quality at work sites. OSHA says each year thousands of employees—laboring in "confined spaces" common to factories, construction areas and other industrial settings—are exposed to fumes which could cause death or injury.



By John Shannon, courtesy Paramount Pictures

Weathered credit. Employees at Commerce Department's National Oceanic and Atmospheric Administration (NOAA) now will use credit cards to buy weather service supplies. Beginning this summer, aircraft and ship fuel, cable wires and other weather-tracking equipment will be charged to Uncle Sam under a one-year pilot to streamline Commerce's procurement system. Designated employees with "purchasing power" will receive personalized cards and \$1,000 credit lines.



FED CO-OP: Privatization Package No. 1

By Constance Horner



Privatization is arriving on the American scene in management packages of all shapes and sizes.

This case-by-case application of a new national policy promises not only taxpayer relief and a shot-in-the-arm for our national economy, but also a career opportunity for federal managers. Privatization represents civil servants' direct link to the entrepreneurial revitalization sweeping America's management landscape.

James Miller, Director of Office of Management and Budget, and other proponents of privatization recognize that men and women who run federal facilities and services have invested their careers in these operations. Managers would be more willing to turn their shops over to the competitive sector if they had opportunities to help run them as private businesses. And they want their repositioned jobs to be with financially solid companies.

Before the privatization option emerged, only contracting strategies such as those outlined in OMB Circular A-76 were available to U.S. managers who believed their shops might better respond to marketplace rather than monopoly management styles. Of course, traditional contracting formulas have a track record for improving cost effectiveness in many areas, and should continue to be used where feasible.

But missing among A-76 procedures has been a mechanism which more fully insures continued employment of federal supervisors and executives. Such a tool would help enlist their cooperation in moving a wider range of programs toward private sector management.

In short, managers should be offered a piece of the privatization action.

The broad concept of cooperative employee participation in business ventures can be traced to the 1970s. It has been part of President Reagan's managerial philosophy since his tenure as California's governor.

"The American dream always has been to have a piece of the action," then Governor Reagan stated. "Income, you know, results from only two things. It can result from capital or it can result from labor. If the worker begins getting his income from both sources at once, he has a real stake in increasing production and increasing output. One such plan is based on financing future expansion in such a way as to create stock ownership for employees."

In White House planning sessions I am supporting the linkage of privatization strategies to employee ownership plans for some federal facilities. This combined policy approach works in Britain and could help shift many of our internal-service type operations to the private sector. Early initiatives for "hiving off" government's commercial activities—such as transit and power authorities—focused on selling properties which served non-federal (external) consumers and the general public.

In several pilot cases, the administration already supports managers who are becoming owners of commercialized operations providing services to the government itself. These include "administrative support" shops at one agency. The

strategy could be extended to cover many types of labor-intensive operations carried out in critical program divisions of every department and agency.

It makes sense, therefore, to address employee concerns over traditional contracting rules. The Reagan administration should offer managers adequate incentive to privatize their jobs. Employee resistance can become a subtle factor in decisions against valid commercialization efforts. Of course, the losers in such cases are American taxpayers.

As head of the U.S. civil service, I believe the push for privatization provides executives with an opportunity to help both taxpayers and federal employees. If conducted in a cooperative spirit, our team can launch a wide range of initiatives. The key to starting this program is OPM's proposed Federal Employee Direct Corporate Ownership Opportunity Plan (FED CO-OP).

In a FED CO-OP, majority shares of a company are retained by the highest-bidding firm competing for federal work. But up to 49 percent of the firm's ownership is held by current (federal) employees. These employees not only have the opportunity to remain in their jobs, but they become part owners as well. Because of the investment which contractors are making in these employees/owners, it is in the firms' best interests to offer them good jobs. Those few individuals whose positions might be eliminated still own their stock and continue to receive a full range of benefits, including severance pay and job placement assistance. It is a generous policy, but one which also is fair to taxpayers.

And FED CO-OPs are sound business arrangements. They merge the longtime program expertise of federal employees to the practiced entrepreneurial skill of an on-going corporation.

The financial viability of a new FED CO-OP is beefed up by providing the winning contractor with an exclusive contract to provide the federal service for up to three years. This gives the company's new employees time to become fully competitive before they begin bidding against other contractors in the years ahead.

The FED CO-OP option fills a gap between existing U.S. contracting procedures and Britain's method of relinquishing personnel who then must form brand new companies on their own. OPM's plan fosters a new spirit of cooperation between policymakers and rank-and-file managers. Most important, by adding this mechanism to the package of incentives already available to privatizers, the administration helps speed implementation of commercialization concepts.

Finally, it is the obligation of my office to insure privatization policy is evaluated not only in programmatic and budgetary terms, but as a human resources issue. I am determined to represent the just interests of federal employees as these programs are packaged. A spirit of cooperation can and must be maintained each time our fellow managers advance their careers into the commercial sector. ■

Horner is Director of the U.S. Office of Personnel Management.

PRIVATIZIZING BULK MAIL

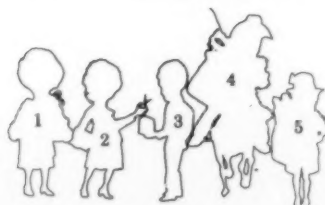
Will it play in Washington?



Donald Gate 5



THE PERFECT SCRIPT FOR PUBLIC



1. British Prime Minister Margaret Thatcher
2. U.S. Civil Service Chief Constance Horner
3. Federal Manager
4. Economist Milton Friedman
5. Journalist Jack Anderson



By Stuart Butler

MANAGERS

Lex Johnson really doesn't mind his fellow managers at *Speedmail Parcels* kidding him about his appearance on the new company's TV ad. He thinks they're just jealous. Maybe they will stop laughing if Johnson turns up in Hollywood someday.

But regardless of Johnson's acting ability, the former U.S. Postal Service (USPS) manager has been doing pretty well since he and other post office employees jumped at the chance to become proud owners of the bulk mail center (BMC) in Capitol Heights, MD.

Speedmail's ad campaign has been a real hit with the public—where business is rolling in as fast as the new company can handle the workload. And the new contract they've negotiated with their former employer, USPS, should work out well. Of course, the new group had all the inside skivvy. There is nothing like having worked for the firm you now are bargaining with—you know all the angles.

Please turn to page 8

Johnson really is looking forward to his first stockholders' meeting. He expects to receive fat dividend checks in the near future.

Lex Johnson, of course, is a fictional character, and *Speed-mail* has not been transferred to its managers and employees. But it is interesting to speculate just how the privatization of the Postal Service might affect current managers.

All too often, the discussion of privatization focuses myopically on potential gains in efficiency, which could be considerable. Yet certain versions of privatization also could be highly beneficial to postal workers. Not just in terms of job satisfaction, but also as a way of securing their jobs in the face of technology advances and private-sector competition.

Privatization has arrived

Most people tend to think any talk of privatizing our Postal Service is some wild plot to destroy the essence of a uniform national institution. But many parts of the U.S. mail system already are in private hands.

Federal Express and other private carriers, for instance, dominate the overnight market, and private couriers pedal their bicycles around the nation's business districts at

breakneck speeds. The private firm of World Mail Centers (WMC) uses state-of-art computers at its 60 outlets to route customers' letters and packages via Federal Express, United Parcel Service (UPS), the Postal Service or however World Mail's computers indicate is the best combination of speed and price.

Using part-time students with just a few hours of training, WMC's "travel agency for mail" has practically eliminated post office lines, and customers now enjoy wider choices. America's parcel mail system, of course, has benefited from private sector providers for many years. United Parcel Service now has captured over 70 percent of the parcel/bulk mail market.

USPS in on the act

These are cases, of course, where the statutory USPS monopoly has been lifted a bit to permit private firms to compete. Yet most Americans don't realize just how much privatization already takes place within postal networks.

Postal Service already contracts with private air carriers for mail destined beyond 600 miles, and with private trucking companies to transport mail along 7,000 intercity routes,

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LET'S GET ON WITH

PRIV

By Jack Anderson

Privatization, moving government activities to the private sector, quickly is becoming one of the more visible cost-cutting plans of the post-Gramm-Rudman-Hollings era.

Not only does privatization offer hope for reducing the cost and size of government, but other benefits are achieved as well.

Privatizing federal services will get government out of businesses where it has no business being and allow free market competition and pressure to set incentives for providing more efficient service. Most economists agree that government spending is less efficient than spending by private industry. Some estimates indicate that contracted-out services are nearly 30 percent less expensive (and more effective) than government-produced services.

The concept of privatization is not new. Its opportunities have been pursued by local government in many states, and

with a high degree of success. At the federal level, the President's Private Sector Survey on Cost Control (PPSS), also known as the Grace Commission, recommends 22 privatization opportunities which could save \$28.4 billion over three years. All recommendations call for improved personnel practices, more efficient use of government resources and maintaining or increasing current service levels.

In addition to PPSS privatization recommendations, additional opportunities could be identified by establishing a permanent privatization review structure. A White House

**Establish a permanent
privatization review
structure...**

Post Office to the People

By Dr. Milton Friedman



Privatize USPS. It would mean cheaper, more efficient postal services. The way to privatize the Post Office is not to sell it off. The Post Office belongs to the people of the United States—all of them. Their taxes have financed its losses these many years. The way to privatize the Post Office is to transfer it to the people. Convert it into a private corporation

and give each citizen one or more shares of stock in the new corporation. The citizens could hold or sell their shares or buy additional ones. And the government would be out of the business.

Friedman is a Nobel Prize-winning economist currently with Stanford University.

PRIVATIZATION

inter-agency task force already has been established to explore privatization.

It has been suggested that a privatization director be named to study and supervise the transfer of public services into the private sector.

The PPSS report makes a number of recommendations about the structure of these privatization review efforts. Chief among them: the President should establish a high-level study team consisting of a small staff with responsibility for on-going, government-wide review of programs that could be transferred to the private sector and the placing of new policies and programs directly in the private sector.

A second recommendation asks President Reagan to establish an administrative management office in each department or agency, with responsibility for informing the review group of privatization opportunities within their organizations.

Name a privatization director...

There are a number of privatization opportunities which could save billions of dollars. However, there is currently no on-going structure to study or implement these options or identify new opportunities. Without such a team of specialists drawing upon ideas developed by managers in each government agency, many privatization projects will go unrealized. ■

Syndicated columnist Jack Anderson joined with industrialist J. Peter Grace to form Citizens Against Government Waste, a nonprofit, bipartisan organization founded to educate the public about waste and inefficiency in federal government.

according to the USPS. Actual mail delivery is partly in private hands. Back in the 1950s, *National Geographic* carried a story about a West Virginia contractor who delivered mail on horseback to 200 rural homes for \$160 a month. This modern-day version of Pony Express is not alone.

Today, nearly 5,000 rural highway contract routes include some actual home deliveries and these are contracted out to private firms—with considerable savings to the U.S. Postal Service. Furthermore, many business users receive discounts for presorting their own mail by ZIP code. Sophisticated mailing houses have sprung up to sort and deliver this mail to local post offices—another “intrusion” of privatization into the old monopoly.

Postal workers traditionally have been very concerned about

each move to extend the growth of the private sector in the delivery of the mail, fearing their jobs will be jeopardized. But the experience of privatization here and in other countries shows it is possible to address employee concerns by showing them their jobs can be made more secure while achieving the efficiency benefits of privatization.

Success in Britain

Britain has led the way in reaching such a twin goal. In the past six years, almost half a million government workers have been transferred to the private sector—workers who make cars, run the state-owned telephone system and drive trucks for the government. In almost every case, the employees have had absolutely no desire to return to the public sector.

By Mary Ann Maloney

For a well-rounded look at the concept of privatization it's helpful to review some of the more colorful moments of American history. Almost since the beginning, our government has turned to the private sector—often the pioneer, frontiersman or financial entrepreneur—to provide public services to the nation.

During the 19th century, townships west of the Mississippi couldn't be reached by mail-carrying trains or steamboats, so federal government turned to private contractors with the most reliable form of ground transportation of their day—equus. The Pony Express was born.

Entrepreneurial frontiersmen kept 80 lightweight riders in the saddle on fast Indian ponies, 40 of them racing west in relays and 40 riding the return trip. At each of the 190 stations, about 10 miles apart, mail pouches were switched to fresh ponies and riders in pit-crew efficiency.

Although Pony Express was short lived, a privatization law with longer lasting implications was enacted during the same era. The Homestead Act gave public land to settlers who had moved west on the condition they cultivate the soil and pay a small government fee within a pre-determined period. Congressional supporters of the legislation argued that the policy not only would benefit the homesteader but also supply the public with an increased supply of farm crops. Their investment in the American pioneer paid significant dividends.

Even the country's first “government” bank was owned by private shareholders. During the American colonial period, the first bank of the United States was established. It served as a fiscal agency and the principal depository of the Treasury. Although a national bank, a majority of its stockholders were private citizens. The bank's investors did much to maintain a degree of public confidence in the institution. The vast development of our nation resulted from combining these early forms of privatization with the traditional forms of government owned and operated ventures. This dual approach throughout the last century serves as an example of ways in which Washington might continue to benefit from innovative endeavors. ■

Early American Privatization



The key to privatization success in Britain has been the innovative use of various forms of employee ownership.

Former government managers and workers generally have not been thrown out of work. Why? Because the method of

Here's Johnny On Hiving Off!

If government ran this country like a business we'd have a fire sale.

—Johnny Carson

privatization has not been contracting out, where public jobs are very much on the line.

Instead, Margaret Thatcher's government has looked at ways to move entire functions into the private sector, turn-

ing the assets and public workers involved into private companies carrying out operations previously undertaken by government.

In the most successful and popular versions of the strategy, employees have become part owners in companies created out of segments of the public sector. Sometimes this takes the form of stock ownership in publicly traded corporations. When Britain's telephone system was privatized in 1984, for instance, 96 percent of the employees became stockholders in the new firm.

Far more significant have been cases where former government workers obtained a controlling interest in the privatized concern.

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A TREASURE TROVE FOR FEDERAL ENTREPRENEURS

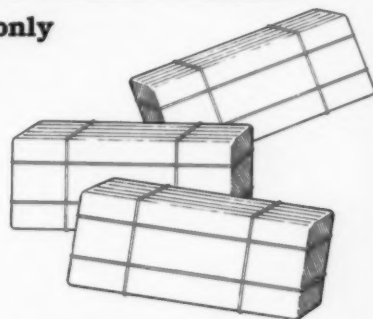
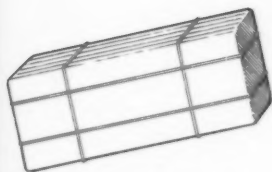
By Peter Durant

"I was old Flint's first mate, and I'm the only one as knows the place. He gave it me at Savannah you see. But you won't peach unless they get the black spot on me."

"But what is the black spot, captain?"

"That's a summons, mate."

—Robert Louis Stevenson



Remember *Treasure Island*? There was nothing quite so terrifying as receiving that black-spotted piece of parchment: the pirates' way of sending a message of doom.

As poor Captain Billy Bones uttered the above words the dread paper was slipped into his hand, compliments of a blind beggar. Within moments, he was struck dead. Apoplexy.

To some managers, privatization seems like the black spot. It conjures up visions of lost responsibility, stature and pay, and perhaps unemployment.

Fortunately, the facts are quite different: Far from resembling the "black spot," privatization is a management reform to be treasured by entrepreneurial federal managers.

STAGE setting for privatization

California managers and employees of South Tahoe Ground Express (STAGE) bus system know the benefits of privatization. It saved their jobs and revitalized a debt-ridden bus

company.

During 1985, city managers realized STAGE was in serious financial trouble. In spite of fares and state subsidies, it was costing local taxpayers about \$500,000 a year to run the company. These expenses, plus mounting city debts and escalating liability insurance costs meant STAGE's days were numbered. City and state managers in California worked with employees to form Area Transit Management Corporation. The city assisted with an interest-free loan to cover start-up costs and the state agreed to a unique contract between South Lake Tahoe and the new employee-owned company. Today, STAGE is a profitable and expanding firm.

South Lake Tahoe's entrepreneurs and those of other state, local and foreign governments have not gone unnoticed by the President's Council on Management Improvement (PCMI).

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Breaking Away

TWO EX-FEDS IN THE PRIVATE SECTOR

By Stephen L. Atlas

Leaving the protective womb of federal employment can be the opportunity of a lifetime, as two former career civil servants discovered.

Higher pay, greater job satisfaction and advancement based solely on ability are benefits Jim Fitzgerald and Janice Slocumb say they've gained since leaving government to work for private companies.

In these days of budget cutbacks, astute federal managers, supervisors and executives are giving alternatives to federal employment a careful side glance, both for themselves and their employees. **Management** offers two success stories—from a GS-12 international trade specialist at the Department of Commerce who privatized his career and from a former GS-6 secretary at the Office of Personnel Management (OPM).

Career risk pays dividends

Rules, excessive red tape and obsolete data can stymie the most enterprising individual. That's why in June 1985, Jim Fitzgerald, then a GS-12 trade specialist with Commerce's International Trade Association (ITA), left government to become an executive at a private consulting firm.

Today, Fitzgerald says he enjoys greater autonomy and a salary 300-400 percent larger than his federal paycheck.

Fitzgerald, director of western operations for *Ashby & Associates*—a Washington-based management consulting firm, recalls, "When I first joined ITA in November 1981, I was excited about international trade."

And indeed Fitzgerald's Commerce assignment augured well for an energetic foreign trade booster. He was put in charge of recruiting private companies to exhibit U.S. wares in trade shows overseas.

Treasure Trove, from page 11

Recognizing that support from managers and supervisors is a key ingredient to the initiative, PCMI recently commissioned a study on how to address employee concerns about privatization. Taking its theme from President Reagan's recent Executive Order on productivity improvement, the Council is searching for ways of not only minimizing adverse effects on employees, but also of providing workers positive incentives to support privatization initiatives.

Why are civil servants concerned? Many managers chose government employment in the expectation of lifelong careers. Privatization challenges established value systems and operations procedures. Salary is a second concern.

A recent study by the General Accounting Office found private businesses achieved savings over federal in-house performance by using leaner staffs at less cost. Approximately 53 percent of contractors paid wages lower than government (equally interesting, 21 percent paid better).

And employees are worried about retirement benefits if their jobs are privatized. While the Civil Service Retirement System (CSRS) rewards those who stay until eligibility age, CSRS is not a very portable system. (A new pension program for employees hired after December 31, 1983, includes portability as a key feature.) Retirement-age managers can make out well with the extra salary privatization brings, but mid-career employees may not be so financially mobile. A recent study by Office of Personnel Management (OPM) shows some managers are reluctant to reduce the size of their workforce because they might be downgraded as a consequence. Real or perceived, this fear diminishes managerial enthusiasm for privatization.

PCMI is examining ways to address employee concerns in a manner both fair and fiscally responsible. A preview of some of the major themes in PCMI's draft proposal should provide managers with some hopeful signs of what's ahead for them

But the reality of his federal job belied the vision. For an innovator like Fitzgerald, the reorganizations seemed endless and funding restrictions and statutory limits threw cold water on Fitzgerald's projects. He tells **Management**, "Bureaucracy's timetables are sometimes too slow and cumbersome to accomplish our mission. Market research data in all federal agencies is nearly two years old and ITA's trade fair calendar, which is prepared 18 months in advance, has frustrated managers."

"The international trade promotion schedule changed so frequently that we had difficulty recruiting companies to display U.S. goods. Since our information was obsolete nearly as soon as we received it, there was no certainty that a particular show would come off. The really good shows were scheduled only a few months in advance, so we couldn't keep up with hot technological developments and were limited to exhibiting only at the shows on our schedule, which often featured obscure technology. The 'process' in government was inherently the problem for Commerce's mission. It wasn't the manager's fault."

He didn't even have handouts to distribute during the shows. And management's attempts to solve these problems were frustrated by the mid-level review requirements.

In June 1985, Fitzgerald left Uncle Sam's nest, reluctantly exchanging the job security of government for the uncertainties of the private sector. He found, however, the payoffs outweighed the risks.

As an *Ashby and Associates*' director, he identifies specific problems, plans strategies and—without interference—sees projects through to completion. He is judged on results rather than on following the rules.

Having access to current market research helps him complete assignments promptly. With little warning, he completed one major project within a five-day deadline. Comparing this to the federal scenario, Fitzgerald says, "Between clearances, budget authorizations and other hurdles, any government department, would have taken one-and-a-half years to complete the same job."



The private sector seems to give Fitzgerald a sense of satisfaction and accomplishment. He broke new ground by designing an "internal export compliance audit" which has become an industry standard.

Any regrets about leaving government? "Commerce yes, government no," he says. "As a private consultant, I can use

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in privatization's future.

Employee ownership of privatized enterprises is one of several new approaches being considered. Surprisingly, there is no government-wide policy today fostering experiments such as STAGE. Such ownership can take several forms: allowing workers to compete under A-76; transferring functions non-competitively to newly formed corporations; or providing employees with stock in existing private companies which would take over operations from government. The common thread running through these alternatives provide managers and employees with a stake in the success and future earnings of their enterprises. This approach can be a power-

ful incentive for both productivity improvement and employee acceptance.

Rethinking severance and retirement pay

The impact of privatization on pay and benefits also is being studied. Employee ownership could provide new financial inducements, such as profit-sharing or stock options. Congress has approved a three-tiered retirement system—Social Security, thrift plan and defined benefits plan—which will provide a long-term solution to the problem of pension portability. PCMI is reviewing the current eligibility for severance pay. Policies now discourage managers from privatizing because those who go to work for contractors are ineligible for severance pay. The Council is looking into the recent experience of Canada's federal government which has provided severance pay and early

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Provide managers with a stake in the earnings.

PRIVATIZATION AND BUREAUCRATS



Lef's Spread

By Dr. James H. (General Jim) Boren

One of the most effective means of "getting government off the backs of the people" is simply selling it to the highest bidders. Though the sales concept has been advanced in recent years by the growing relationship between Congress and Political Action Committees, the privatization policy of the Reagan administration is an exciting one.

The President should be advised, however, that "piecemeal" privatization carries the burden of a hanky-panky image: it invites charges of Teapot Domism. To sell the government's airports, trains, public lands, oil reserves and other public assets, the administration should act in a bold, dramatic manner.

Eye privatized security

Like the concept of peace-through-war, privatization must be sold to the American public by wrapping it in the flag and relating it to national security. The imaginative skills of Madison Avenue can be used to drivelate floatational bloatum to the highest levels of public acceptance.

Sales that can be tied easily to national security needs will be accepted quickly by the public. A new surge of patriotic fervor will be required, and the traditional political tool should be used. Forceful, flag-wrapped repetition always will prevail over simple reason and logic: it's part of the new American system of values.

The President can demonstrate his firm resolve by immediately privatizing the Department of Defense (DOD).

Integrating Pentagon officials and defense contractors into a single private sector entity would eliminate, in the public

eye, much duplication, and it would avoid the investigations of sales-tainted job seeking. Instead of unworkable, arms-length dealings between two negotiating forces, the invisible fingers of economic viability stickily would fumble in the tranquil privacy of the same pocket.

Old agencies stifle government growth, but privatization can fast-grow our bureaucratic way of life.

Privatizing DOD also could offer opportunities for innovative approaches in many areas. In military finance, for example, the sale of undeclared war bonds would be supplemented by other patriotic sales programs.

Individuals or groups could be sold shares in a nuclear submarine, sponsor a platoon of soldiers or perhaps conduct telethons for the purchase of boots and grenades.

Pyramid system recruiting

Troop morale could be raised and recruitment programs invigorated by adopting the pyramid system. A private who could recruit three people would be automatically promoted to corporal. A corporal who recruited 10 people would be pro-

Out!

moted to sergeant. A colonel who recruited 100 would become a general. Pyramidal recruitment would eliminate charges of favoritism and sexism.

In addition to privatizing DOD, other creative concepts could be developed:

- Competitive bidding for court decisions.
- Direct sale of tax loopholes.
- Money-raising lotteries to replace simple political hackery in the appointment of ambassadors.

Opportunities abound for the New Democracy. Obviously, new types of institutions will be needed to help the privatization movement grow to maturity, and such a need will offer new opportunities for bureaucratic expansion. While old, mature agencies are havens for inhabitants, they can stifle government growth. Privatization offers the greatest hope for fast-growing our bureaucratic way of life.

As President of the International Association of Professional Bureaucrats, I am pleased to announce my support of the privatization effort, and I urge members and friends of the Association to enlist in the movement. It has been my philosophy that if you can't beat them, don't join them—lead them. ■

Boren's military credentials include serving as a sailor on a destroyer escort for two years and holding a captaincy in the Army reserves. "That's in keeping with my bureaucratic neutrality," he tells Management, "no favoritism between the services."

Defensive Clunkations By Boren

publittitular (*pub li ti' choo ler*), n. Privatization.
onstop (*ahn'stahp*), v. To continue the process of a stoppage—usually at a constant rate of stoppage. Onstopping programs are similar to ongoing programs, except the continuity is in the state of stopping instead of going.

bullet (*hool' it*), n. A kinetic energy penetrator.*
kinetic energy dispersal device (*kin eh' tickleh' ner geedis perse' all/dee vice'*), n. A bomb.**

retrostrategic clunkation (*reh' troe an stra tee gic/clun kay' tion*), n. A political or military failure.
retroanalytical briefing (*reh' troe an a lit i cal/breef' ing*), n. A meeting held for the purpose of identifying a scapegoat.

exfritterature (*ex frit' er a chore*), n. A type of expenditure in which funds or other resources are frittered away.

* Actual Pentagon definition.
** Actual Boren definition.

Hostile Hearings:

HOW TO SAVE YOUR AGENDA AND YOURSELF

By Barry M. Goldwater

From time to time, executives in every administration must take some unfair partisan criticism from a few members of congressional oversight committees simply because these appointees are doing what they were hired to do: carry out the President's agenda.

The Founding Fathers believed there should be a certain amount of competition between the legislative and executive branches of power. Indeed, the Constitution mandates this competitive environment. Certainly there is a time and place for legitimate disagreement during hearings with executive branch officials. But, there is a danger that some illegitimate tactics, if successful, could lead to the future breakdown in essential cooperation between these two branches of government.

As one who has participated in this give-and-take, and knows the process, I believe the new Washington trend of transforming policy disagreements into personal attacks frustrates our efforts to govern. It harms the individual manager because it slows or stops the flow of information between the executive and legislative branches which is crucial to the governing process.

I am not opposed to some of the partisan "politicking" by congressmen directed at "ministers" from the dominant party. It's part of their job as the loyal opposition. If an official turns up guilty of an infraction, he deserves the medicine dished out in hostile hearings.

But, a less justifiable problem facing these representatives of 1600 Pennsylvania Avenue involves the impugning of their personal integrity and the tarnishing of their careers simply because they hold a different policy viewpoint from that of a senator or representative. It is disturbing to see promising executives jeopardized under the guise of "oversight." There is nothing proper about slowing or halting a legitimate program change by ravaging the personal record of a dedicated civil servant. The worst of these shows played out at taxpayers' expense are designed to gain maximum media exposure through the humiliation of the innocent. They accomplish nothing towards serving the public good.

One such attack on a Reagan administration official took place earlier this year when a colleague of mine accused this person of awarding a grant after a so-called congressional freeze had been imposed. The member's apparent intent was to embarrass the man because he legitimately had redefined office policy by awarding the grant to a conservative group under a program which previously had been a blank check for activists opposed to the President's philosophy.

While I may not agree with the specific grant programs myself, the original statute permitted department officials

wide latitude in handling such funding. And, new policy implementation to carry out laws does not a guilty party make. The manager's survival strategy was just as bold. He outlined the connection between his steps and administration policy. He was doing the job his boss wanted accomplished—and he said as much during some lively hearings. Furthermore, as the Reagan lieutenant correctly explained, "We are simply doing what the appropriations committees in both Houses of Congress tell us to do. The committees do not tell us which

Do not bring 'nervous Nellies' with you.

organizations to fund, simply that we must fund the grant program."

Grudgingly, my Senate colleague acknowledged the real item that rankled him was the new, conservative entry which had appeared in the program's subsidized category. But, the committee staff would not flatly state their actual objective. The administrator's straightforward approach to carrying out administration policies disarmed the committee which had tried to hook him on an "after the fact" grant money freeze. The press, of course, witnessed it all, having received advance notice from committee staffers of the pending "bureaucrat bash."

This case points out the pitfalls that federal managers may expect in such routines. The manager described his committee attackers as doctrinaire liberals who believe that entertaining grant requests from organizations supporting conservative viewpoints is treasonous. He articulated the actual issue under fire, yet managed not to get lost in the ensuing smoke screen. Furthermore, he ignored the clamor of ideologues on the right who objected to his pragmatic approach and who would have sacrificed the individual manager to make a philosophical point against all government grants.

This manager was right to stick to his guns. The undeclared aim of the subcommittee member was to victimize the administrator for an action somewhat unrelated to the actual point of disagreement. The fireworks and criticism never were intended to expedite public policy or to advance the public interest. Enhancing public policy was not uppermost in my colleague's mind.

The problem of committee abuse is rooted in the Watergate turmoil. A "witch-hunt" formula emerged in that era which has become standard operating procedure, one which relies on massive press coverage. This press coverage is easy to arrange when the issue is cast as a battle between good and evil and even more so when the treatment of policy disagree-

ment is cast as the malfeasance of a specific individual and promises to embarrass the administration politically.

Politics being as it is, no issue in Washington is comfortably black and white. Some of these expert political figures on the Hill now use the same campaign stunts and tactics which propelled them into office against government administrators who never imagined they would be treated like candidates in a rough-and-tumble congressional race.

A journalist covering a program is more likely to resent congressional horseplay with the issue...

I am concerned about the unjust treatment of appointees and career managers whose reputations run the risk of being scarred. And, I also foresee future recruitment problems for any administration if talented individuals are dissuaded from public service by the exercising of partisan, congressional micromanagement.

Having served the citizens of this country proudly during my 30 years in the Senate, I'd like to pass along some thoughts on how to approach congressional hearings to the ladies and gentlemen running the gauntlet for the President's policy agenda.

First, you must expect to jump through congressional hoops when you implement new policies. Some of the more daring or irreverent occasionally may thumb their noses at Congress

just to see who growls. That is just plain foolish. I've seen all kinds of testimony—from head-bowed chest beatings to brash but self-incriminating retorts. Yet, every successful strategy which actually wards off attackers could be characterized as “steady,” with minimum showboating, but displaying a determination not to surrender the policy agenda. Again, if by chance you are guilty, take your punishment. Do so promptly and it's more likely the severity of your public penance will match the true dimensions of your misstep.

If you are innocent, but suspect a nasty ambush is planned, the easy way out may appear to be not showing at the hearing. This, of course, cannot be condoned, even though there are different ways of not showing. Some of these ways, I suspect, will arouse the rancor of a legislator who had planned to put on his own show. I cannot recommend this course of inaction because every member on the Hill has been elected to carry out oversight responsibilities and conduct hearings—bureaucrats, on the other hand, haven't been elected by anybody. But, I have seen this approach used.

On one occasion, I recall an “ambush” that had been set up by one chairman who had asked the administrator of a children's program to appear before his committee. It was going to be a classic good guy vs. bad guy. On the day of the hearing, the chairman was told the administrator was out of town attending a function. Playing to the press table, the chairman demanded to know the whereabouts of the official. It turned out the manager was attending one of the chairman's favored welfare functions for children. All he could do was extend his gratitude for her interest in the program and reschedule the hearing. But the lights on the TV cameras were turned off and the momentum behind the planned stunt was gone.

The flurry of questions may give interrogators the misstatement they hope to surface...

This ploy may deflect some heat, but it also might backfire. One extreme example comes to mind. Two Pennsylvania congressmen were under investigation for accepting kick backs. On the first day of hearings, both checked into hospitals for treatment of “fatigue.” The focus shifted temporarily off the chairman's issue and onto something of secondary import—their hospitalization. The stalling tactic kept them from facing the heat at high noon. In this case, however, the pair were guilty and even their elaborate scheme could not stave off the inevitable.

I believe it's foolish for any administration executive who is innocent of wrongdoing to refuse to plan any strategy other than to “react” by bending their heads to the guillotine. Yet, who is to blame for such beheadings?

Perhaps it is the fault of the White House. Presidents (and I refer to every administration of the past 20 years) are fail-

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ing to arm their lieutenants and field staff with the necessary knowledge to defuse a pending confrontation. The National Academy of Public Administration surveyed over 500 Presidential appointees in the last five administrations on the problem. About 80 percent of those questioned said they had not been prepared for dealing with Congress or the press.

Of course, there are various outfits around town which offer courses designed to help newcomers develop enough political acumen to implement the President's agenda. Many top executives, especially those in controversial areas, eventually may have to walk the coals, so these courses may prove valuable for the person who is just getting started. But, a more successful approach for the White House might be to temporarily slide veterans of congressional warfare alongside newer administrators if an ugly confrontation appears unavoidable. Such temporary "detail assignments" are routine when handling other agency matters which require expert advice.

Negative press reviews can contribute heavily to an executive's demise. On the other hand, odds for success and sur-

Deny an unscrupulous congressperson the 'oohhh and aahhh' factor.

vival increase with wise treatment of the press. A conservative may feel that he or she needs a minor miracle to get positive press in this town. But, if you know beforehand you are going to get bushwhacked, why not provide serious press members—liberal, conservative or otherwise—with your side of the information?

When a journalist has a professional commitment to covering a program, he or she is more likely to resent horseplay with an issue which they view as a serious topic.

The more lightweight media types who attend only to cover the blood-letting, tend to rely on the acknowledged expert at the press table. And, any successful administrator usually has press relations experts feeding facts to news people. Their explanations of your side of the story, either before or after the session, help defuse the bomb bearing your name. This campaign can present your viewpoint to the larger audience, a presentation which the committee chairman might not allow to be heard or one he might interrupt inside the room.

Dealing honestly with key members of the press can undo much of the sensationalism which crops up during hearings. And that's probably as much as an administrator can achieve. Since stirring up a media tempest was the committee member's primary objective, calming the water is quite an achievement for you.

Next, there is nothing unprofessional about returning an "I don't know the answer to that question," with a promise to supply a written response. The most successful tactics are those which deny an unscrupulous congressperson the "oohhh and aahhh" factor.

It cheats them out of a lot of potential sensationalism. The impact of delayed or strategically planned testimony is far

Notifying sympathetic citizen groups and hoping they attend in large numbers is a successful strategy I've observed.

less damning than testimony which provides immediacy and also immediate mistakes. This overall tactic can help paint a factual presentation, even as your answers to the flurry of questions from interrogators may give them the occasional misstatement they hope to surface.

Do not guess at answers in an effort to appear 100 percent knowledgeable. If you are not sure, say so. Do not let the heat of the exchange impel you to answer every question tit-for-tat.

Remember, the ladies and gentlemen of the Congress are accomplished political debaters, and it is very doubtful that you can win the tournament trophy.

Another successful strategy I have observed involves notifying sympathetic citizen groups and hoping they will attend the hearing in large numbers. Again, this approach is aimed at the press table which is sensitive to the hearing room environment. A witness can and should be embarrassed, however, if the roomful turns out to be staffers and agency personnel who have no business attending. A shrewd committee staffer will notify his or her member of the crowd make-up and the member will ask all employees to stand up and be counted. I have seen it happen.

On the topic of your staff assistance at hearings, it is wise to keep your immediate counsel down to the absolute minimum. Relying too heavily on staff people sitting around you, puts your grasp of the issue in doubt. Also do not bring "nervous Nellies" with you. I have chaired hearings where the official answering my questions kept a poker-face that Clint Eastwood would have been proud of. Yet the person sitting next to the official played like Don Knotts.

Try to be low key. You do the President no service if you hype the environment surrounding your work on his programs by giving the committee the impression that there is a bigger story to be had.

Above all, cultivate good relations between you and sympathetic members and staff. Executives in charge of controversial, evolving programs should contact all key players on appropriations and oversight committees. Solid communications channels can keep a simple misunderstanding from becoming a festering feud. An up-front congressperson seldom hesitates to debate the wisdom of agency policy initiatives. And, entering such exchanges is part of an agency executive's job, usually listed in the position descriptions of high-level officials.

What I am describing in this article are defenses to be used against attacks focused on individual employees when honest debate over policies cannot alter the President's

SHOW Privatization **MIRACLE** Show

By Ray Kline

Privatizing public programs is one of the hottest topics on the federal government scene. Proponents see the sale of traditional public entities as a way to generate revenues, reduce the size of government and at the same time improve service delivery at a lower cost. Opponents see it as a blatant taxpayer rip-off which sells government assets at give-away prices and abandons traditional government responsibilities.

The film, *Privatization in the UK: Economic Miracle in the Making?* dramatically makes the privatization case—not in America but in Great Britain, which, during the Thatcher years has disassembled chunks of post-war nationalization to embrace private ownership. The film, winner of the International Film and Television Festival Award for documentary excellence, presents the results of specific privatization initiatives—in shipbuilding, trucking and freight, public housing, Jaguar automobiles—and culminates the show with the biggest prize of all, British Telecommunications. It's a huge success story—measured by growing profits, improved services, lower costs, increased productivity and employee satisfaction.

Within a six-year period, over one-fourth of the 1.5 million people in state-owned businesses have moved with their companies into private enterprises. The film features testimonials from employees caught up in the change and presents a litany of enthusiastic personal commentary on the benefits of privatization. Not the least of these benefits is the sense of ownership among employees who have invested in their newly privatized businesses. For example, about 25 percent of

Privatization in the UK: Economic Miracle in the Making? Neal Freeman, executive producer. (Blackwell Corp., 30 minutes.)

National Freight Consortium employees are stockholders. Employees' daily imperative is to know how "their" company is doing.

Creating a sense of ownership among public employees has been an enduring challenge to American public management. Programs through the years designed to inspire public employees toward greater initiative, innovation, productivity and quality of service are legion. This film repeatedly advances the case that the most effective way to inculcate a per-

sonal sense of ownership is to encourage employees to invest their own money in the company.

Hardly a balanced portrayal of British privatization, the film offers very cursory treatment of the downside—the challenges faced in planning and implementing privatization. It is a complex business, and the challenges are impressive, ranging from financial and business management considerations to easing a myriad of employee concerns.

Is the British experience transportable to our soil? There are no American examples which correspond directly to these British cases. There are dissimilarities in the political systems and public policies of the two nations. But despite the differences, the British experience is worth examining by public-minded citizens in this country to find new and better ways to build a stronger, more efficient government. ■

Kline is President of the National Academy of Public Administration and former administrator of General Services Administration.

rightful intent.

Finally, a long-time program executive should not be held "accountable" on grounds of "inconsistent management" if he or she has used proper discretion to change an agency's

The impact of delayed testimony is far less damning...

direction to match a new administration goal. Late last year, for example, an official was undergoing confirmation hearings on his nomination to a new position with the same agency. During questioning by one of my colleagues, the nominee was accused of being an incompetent manager. The witness adroitly dodged this bullet. He quietly stated that the change reflected a new initiative by the Reagan team. The appointee's

key response was, "To the extent that it may come to the conclusion it has taken a wrong position in the past... then the commission can change its position." Excellent response.

Members of oversight committees can and should vigorously express their disagreements with any administration's policies, even those pursued in an ethical manner by federal employees. But it is becoming increasingly obvious that some of these members can make it awfully uncomfortable for the individuals who must implement agency changes. The best defenses to unfair attacks are ones which have been carefully weighed and which are entirely honest. And the very best ones I have heard are those coming from ladies and gentlemen who obviously understand the statutes and regulations under which their offices operate. Such knowledge defines the parameters of options available to you in carrying new policies through to completion. And, "completion" in today's Washington generally means after congressional follow-up hearings. ■

Goldwater is a United States Senator from Arizona.

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the latest research, work independently, get immediate results, then be judged on my performance rather than how well I follow organizational rules. Let's face it, the rules which Congress believes make government an effective regulator impede its efforts to pioneer initiatives and promote strategies."

Fitzgerald's advice for other managers considering a switch to the private sector:

- Don't underestimate the difficulty of making the switch. We all realize government experience is not automatically transferable, and private employers frequently look askance at applications from civil servants. Clearly, those who deal with private firms as part of their federal jobs are best positioned for the jump. They already are familiar with speaking "private sector" language.
- Realize not all private sector organizations are bastions of free enterprise. Many have bureaucracies which rival the civil service. This may be a plus for some employees. Weigh this factor in your decision.
- Move carefully, assess your career goals and understand what you can offer a private employer. Realize you'll probably be 5-10 years behind managers who are established already in private organizations. Adapt.

RIFed but not miffed

"It may be something of a tired-chestnut statement, but I'll just say it anyway," chuckles Janice Slocumb. "Losing my

federal job is the best thing that ever happened to me."

Since being RIFed from her GS-6 secretarial job at Office of Personnel Management (OPM) in 1982, Slocumb has found a new career, advanced into management ranks and nearly doubled her salary.

The initial forecast wasn't so bright. OPM's RIF had been the latest in a series of setbacks for Slocumb and her husband, who had been laid off from his position at Treasury five months earlier. He found a new job but took a \$700 monthly pay cut. With two pre-school children, the future looked bleak for the young couple.

But she refused to settle for long-term unemployment and welfare checks. Instead, she enrolled in a technical school in nearby Springfield, VA, one week after leaving OPM. Using a student loan to finance her education and federal retirement contributions (withdrawn under special RIF regulations) for living expenses, she completed a six-month course in computer operations and graduated with honors in September 1982.

Still pushing hard, she surged onto the fast track early in her computer career. One month before graduation, the school found Slocumb a computer operator position at *Source Telecommunications*. Six months after that she was promoted to shift supervisor.

Slocumb's drive and talent continued to pay off. She changed employers in February 1984, becoming computer operations coordinator for *Union Labor Life Insurance*. Eighteen months later, she leapfrogged to a higher-paying job—computer programmer at *Perpetual American Bank* in Washington.

This July, Slocumb will be up for both a merit pay increase and promotion at *Perpetual*. "That's somewhat different from the type of perpetual promotion a government employee might expect," she says, "They come a lot quicker in the business world if you work hard."

Slocumb now makes \$10,000 more as a computer programmer than she did in government, and the challenging profession is a welcome change from the secretarial work which she found didn't suit her personality. "I've discovered that private employers promote according to merit while the government is hung up with grade levels. When my government job reached the GS-6 level, I had to recognize it would be difficult to be promoted further.

"Being a hard worker in government usually doesn't pay," adds the former OPM employee. "A lazy person makes the same salary and within-grade increases," says Slocumb. "That's a big contrast from advancement outside government."

She also claims private employers are far more generous with their training dollars than government. "They understand that training employees improves efficiency while government—particularly regarding secretaries and support staff—can get caught up in red tape and saving nickles.

"Had I stayed in government, I never could have afforded to go to school. I didn't have money for tuition and couldn't have taken time off from work. Going at night was impossible with two pre-school children.

"The RIF forced me to take risks, select a new career and get the training to carry out my goals. I'm happier, make more money and enjoy working in a field where the sky's the limit and my performance alone determines how fast I can climb the career ladder." ■



WORLDLY WAYS

Soviet yuppies, say Western correspondents in Moscow, are young urban komsomol **managers born during or since World War II** who are getting perks the USSR once reserved for Olympic stars and cosmonauts. "Since **Gorbachev** took over," claims *Fortune*, "he has made extravagant promises to the rising managerial elite...and already has shown he means business in tackling (lower level) bureaucrats by eliminating thousands of superfluous administrative jobs." Can the new managers deliver, wonders *Fortune*. "Change will fall mainly to the **up-and-comers**."

Dan Aykroyd, Chevy Chase



Treasure companies of Britain. Many British execs would agree with **Treasury Minister John Moore** that **privatization** has been a "major benefit over the past five years." According to a Trades Union Congress survey, senior directors' **salaries rose 85 percent** after their firms moved from government to private ownership.

Queen's camp. Elizabeth II is showing Brits privatization can start at home. **Hampton Court Palace**, which once housed Henry VIII and his six wives, may be converted into 1,000 private luxury apartments, says the **Adam Smith Institute**. Crown Estate Commissioners are considering the make over, which may coincide with restoration of buildings damaged by fire in March. Former Prime Minister Harold MacMillan, a "wet" Tory, on the sale: "First goes the family silver."



Courtesy British Tourist Authority

Trust thrust. AID Administrator **Peter McPherson** is encouraging privatization in 40 developing countries by putting his "trust" in local merchants rather than foreign officials. With **Agency for International Development** guidance, "**privatization trust funds**" are being set up to bankroll sales of airlines, cotton mills, hotels and other state-owned properties. By providing financial/technical support to "entrepreneurs" in these countries, McPherson hopes to prompt at least two privatization projects in each nation by '87.

Turkey breasts its government-ownership traditions with two experimental privatization projects. Shares in the **Bosphorus Bridge**, near Istanbul, and the **Keban hydroelectric dam** in southeastern Turkey have been sold to employees, citizens and private companies. Similar marketing plans are underway for THY Airline and 30 other state-owned enterprises. A Turkish embassy official tells **Management**, stock sales are creating a "healthier economy."

Positions in missions. A worldwide search for special slots will begin next year if Congress approves a State Department pilot to **place foreign service officers' spouses**. Under the two-year program, 50 spouses would fill "mainline jobs" (\$20,000 annually) at 10 foreign posts. Critics believe the \$1 million project is too expensive and runs contrary to reducing the size of government. Participating agencies favor the idea, although managers won't commit budget money to the project until final fiscal cuts are announced in September. "Over time, government will save money," says State's William Bacchus, "by not having to transport employees to fill critical positions."

New track. Japan plans to sell government shares of the debt-ridden **Japanese National Railroad (JNR)** next year to create companies in six regions. Two nation-wide firms also will be formed to run the bullet trains and JNR's freight network. Workers displaced by privatization will be absorbed by national and local governments, retrained to take JNR company jobs or allowed to retire. **Hisaashi Muto**, who chairs Japan's most powerful union, says the effort is impractical and "reeks of politics."



Mulroney's deficit fighters also are pushing to eliminate 15,000 public service positions by 1990--5,000 by the end of fiscal 1987. The Prime Minister and his cabinet have taken \$1,000 salary cuts this fiscal year.

Canada cashing-in. Prime Minister Brian Mulroney is folding or selling state-owned corporations which have proven to be "bad bets" for taxpayers. Mulroney's Progressive Conservatives already have sold **de Havilland Aircraft of Canada Limited** (to America's Boeing Company for \$170 million), **Northern Transportation Company, Ltd.** (\$20 million), **Canadian Arsenal, Ltd.** (\$68 million) and most of the government's share of **Canada Development Corporation** (\$195 million). Bids have been made to purchase **Canadair** and **Eldorado Nuclear**, a uranium producer.

Photo by Bill Fitz-Patrick



Entrepreneur ambassador. "It's privatization at the grass roots," said **Gerald Carmen**, America's **United Nations Ambassador** in Geneva, at a recent meeting of the Geneva Enterprise Council. Carmen was named **Entrepreneur of 1986** by the group, which encourages entrepreneurship in developing countries. The Council of prominent European and U.S. business execs hopes to instill in developing countries "the idea that freedom and private initiative are keys to economic growth." Notes one conference participant, "We may become sort of an international small business administration, only private sector."

Prime Minister Mulroney

A black and white photograph of a woman with dark hair, smiling and looking down at a U.S. Savings Bond she is holding in her right hand. She is wearing a black and white horizontally striped long-sleeved shirt. The background is dark and out of focus.

"I THOUGHT
ABOUT AN
EXTRAVAGANT
DINNER...
A LIMO FOR THE
NIGHT...
AND SOME
EXOTIC
NEW
PERFUME...
THEN I
THOUGHT
BETTER."

I thought about the future...mine.
So I'm planning for it now, with
U.S. Savings Bonds. And so can you.
Hold your Savings Bonds for five years
and they earn competitive, market-based
interest rates—like money market accounts—
and guarantee a minimum return.
What's more, all the interest you earn is
exempt from state and local income taxes.
So start planning for your future!
Buy U.S. Savings Bonds where you
bank or work. For the current rate,
call 1-800-US-BONDS.

U.S. SAVINGS BONDS 

Bonds held less than five years earn a lower rate than the guaranteed minimum. A public service of this publication.



Book Review

Talking Back

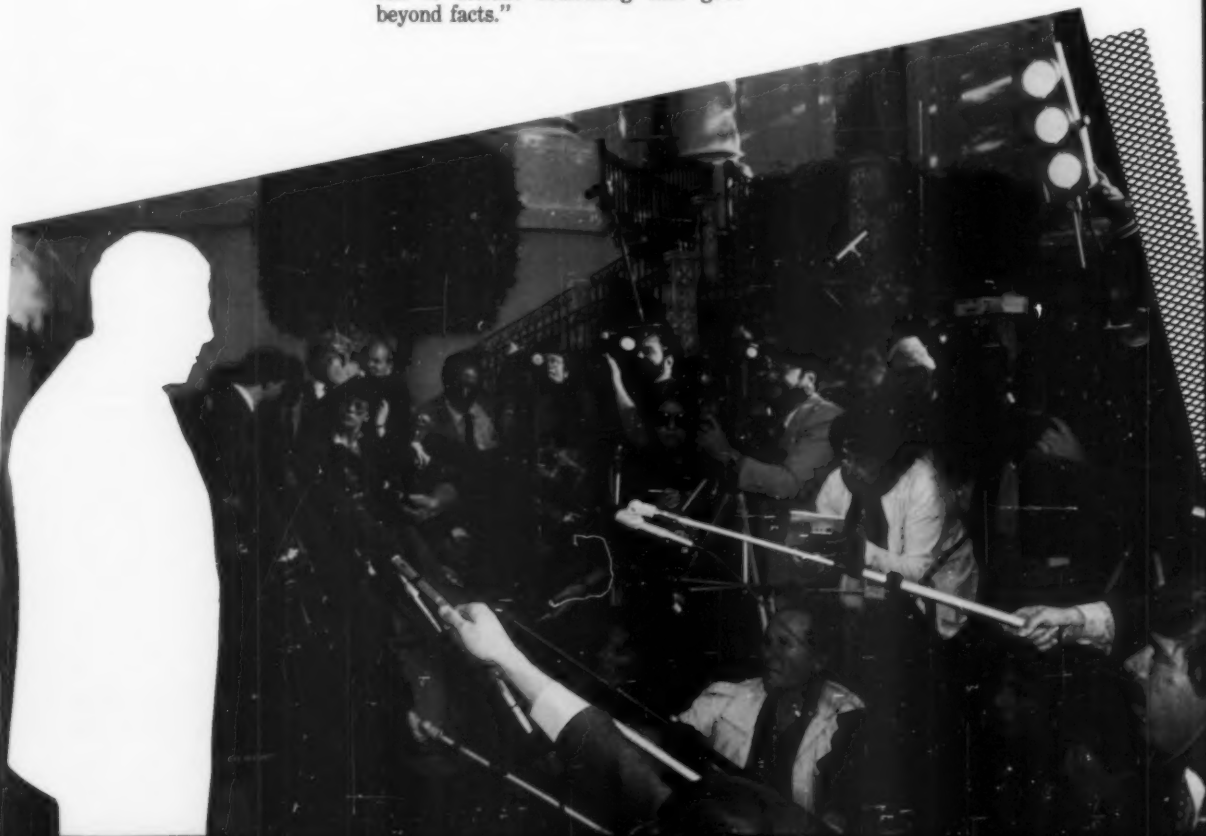
By Landon Parvin

Peter Hannaford's new book not only reveals the techniques and tricks of dealing with the media, but even more fascinating, it reveals the media's own tricks.

Take the controversial reporting technique of creating composites—descriptions of “real” people and events which are actually fragmented impressions stitched together by journalists. The editor of *The New Yorker* once defended a reporter's use of this practice saying, “It doesn't mean one should discard facts and shouldn't respect facts, but the truth has to include something that goes beyond facts.”

That attitude is a long way from “who, when, where and why.” And what makes Hannaford's book different from other how-to texts is that he explains the whys—the attitudes, needs, prejudices and weaknesses of the media—before handing out the pointers.

Federal managers reading through Hannaford's examples of journalistic abuses will feel like motorists gaping at a serious auto accident as they drive by: there's a macabre fascination, yet great relief not to have been involved. But the



Book Review



to the Media

examples raise the logical question—why would any fed in his or her right mind want to talk to the press, knowing they are capable of such stunts?

Fortunately, the book also shows how to improve your chances for survival, if not success. One of the cases cited is that of *Coors Brewing*, which managed to survive an interview with Mike Wallace of *60 Minutes*, and now uses the taped segment as a promotional piece.

One of the best attractions of Hannaford's book is that it doesn't gush about using the media for your own purposes as do many of these kinds of books. The author presents a sobering, realistic view of dealing with journalists, an area where he has excellent credentials. Ronald Reagan was once his client. ■

Talking Back to the Media. Peter Hannaford. (126 pages, Facts on File Publications.)

Parvin is a Washington communications consultant.



Ms. Management



Dear Ms. Management,

I patronize our agency's cafeteria and am well aware that the individual who runs the hot food line has an attitude problem toward her clients. But the other day, when she insulted a visitor to our building, instead of cowing to her glare at the entire line, the visitor complained to the cafeteria manager. Good naturedly, the manager pitched in and served food for the next few minutes. However, the problem worker still dishes out her aggressions. Don't contract managers have any authority over their surlier workers? As a federal manager can I do anything about this contract cafeteria service situation, or are we just doomed?

Serf on My Turf

Dear Food for Thought,

Ah yes, those little kingdoms of the grill stove, where mighty despots of the hot plate specials preside and hobnob with the squires of vegetable station fiefdoms. In cafeteria-land gallant tray-cleaning knights treat customers like peasants and those working the serving line like royalty.

Woe to the rotating cafeteria manager who upsets Camelot's pecking order. At best, the young supervisor is treated as a roving ambassador from enemy headquarters: an intruder who must be monitored, controlled and ignored until the next ambassador's arrival.

A food service supervisor who wants to hasten the pace (occasionally run at applesauce-flow speeds) or treat customers like clients, risks banishment from the staff's choice dining table. Such a troublemaker will be shunned during (frequent) breaks and addressed simply as "YOU," losing the treasured title, "Mrs. So-and-so." A supervisor not only risks making her or his own short stay unpleasant by seeking collaboration with a helpful staffer, but also must consider the well being of any employee willing to call a truce in the hostilities directed at all but the "favored few" customers.

If a "senior" food-line operator may seem petty to customers, imagine how such a despot would treat an upstart from, let's say, the lesser realm of dessert display who dares heed a supervisor's suggestion to "help speed up" her majesty's service over in entrees.

Now, Ms. Management admits we have a soft spot for the cafeteria concept. We recall delightful visits to Scholls in Washington, Wyatts in the South, Luby's in the Southwest—ah, our memories. If service-line employees at these institutions can be friendly and swift, there's reason to hope contract employees at federal cafeterias might become more "customer responsive." But we don't bet on it.

Dear Ms. Management,

I'm having a heck of a time filling a professional slot in my office. I don't feel I'm reaching the most capable prospects. Can federal managers advertise in local papers? Are there any special regs?

Eager to Ink

Dear Pressing,

It's okay. Ms. Management notices more and more government managers are using the classified section of local papers and even public service spots on radio and television.

However, there are hoops through which one jumps. When you advertise in the help wanted section of a paper, your office may be asked if the search included examining rosters such as those handled by OPM (registers) as well as applicant inventories your own agency personnel shop maintains. Your certifying officers must have rated these candidates as unqualified.

Hoop two: Your personnel specialist should use a standard ranking system for outside candidates, similar to the criteria which was used when reviewing applicants on government rosters.



Dear Ms. Management,

My best employee's roommate recently contracted AIDS and a very strange ritual is evolving right here in my shop. It's kind of a litmus test the employee is using with those of us who have always been his pals—sharing a can of Coke. I could be wrong, but he seems to be daring us/testing us to prove our continuing friendship. Please don't criticize our lack of formality, this is a very laid-back place, more gregarious and much less formal, I'm sure, than is your public affairs office in downtown Washington. But it's our style.

Lately, and behind his back, a number of other workers are grumbling: people who have shared his car pool, cooking and antics for years. But that only makes his anxiety (and his litmus tests) increase in pitch. Please don't read me that Pollyanna list from the Health Service about work place precautions against AIDS. Those "guidelines" qualify every sentence. According to that list, "probably" should do nothing as long as the guy isn't French kissing the foremen or sharing heroin needles with file clerks. Can I take any steps without walking into a grievance action?

AIDS Fraid in County Dade

Dear Immunity Guard,

Keep the good employee, can the Coke. This is the third inquiry Ms. Management has received on the topic and, sadly, your skepticism toward government's well-publicized AIDS prevention measures appears to reflect a popular misconception on the role of office supervision in this health crisis. Super-v's are not to address the issue of AIDS among their employees as a frightening new testing ground for equal employment actions against management. Tough decisions must be made and preventing the spread of AIDS must be your top objective. No "probably" about it. If government guidelines seem a bit too fuzzy and somewhat behind the curve for the situation you're currently facing, then seek out credible, appropriate advice. One-on-one, most AIDS experts will level with you in blunt English.

Ms. Management wishes to point out that AIDS is not a "first" for the federal work place. Our institutional response to highly contagious diseases has been admirably exemplified for over 100 years by the ladies and gentlemen of the foreign service branch. At State, a professional code is triggered whenever one of their own contracts a contagious, terminal malady—no matter the employee is personal or duty-related) in which the domestic agencies stricken. Starting right now, our domestic agencies must adopt the same professional, esprit de corps toward persons with AIDS.

And nowhere must such considerate, responsible behavior toward fellow workers be more diligently observed than by members of the high risk AIDS group itself—that means gay men. Ms. Management believes the best way for these gents to protect their dignity and employment rights for the duration of the crisis is to remember that the Golden Rule works in two directions. Only those who are certain they've not been exposed to the virus can afford to be less than careful when dealing with office mates. Ms. Management's recommendation for your worried employee: a solid hug—applied as needed. This response is 100 percent appropriate and 100 percent safe. Sharing soft drinks, handkerchiefs and cigarettes are out. You should communicate this to your employee. FYI—the actual threat posed by toilet seats, typewriter keys and handshakes "is comparable to being hit with a bolt of lightning."

New rules: We always applaud a federal pro who cuts through red tape in a tight situation and the AIDS crisis has handed us just such a hero. Dr. James Slaff, a medical investigator at National Institutes of Health (NIH), has published AIDS Epidemic, How You Can Protect Yourself (Warner Books), with social scientist John Brubaker. It's a helpful guide offering AIDS-anxious supervisors a real world perspective on the problem. Slaff printed it pronto, ignoring NIH's six-month clearance process. Thus, it's state-of-the-art. In the wake of the book's nationwide popularity, NIH has cleared Slaff's suggestions regarding AIDS.



SHOW

DC ON THE DANUBE

By Hal Gordon

The latest Washington power novel? It might be exactly that. It is, however, a synopsis of *Colonel Redl*, a fascinating German-language film currently on view here.

Redl is a fictionalized biography of Colonel Alfred Redl, head of the Austro-Hungarian Empire's military intelligence unit, whose mysterious suicide in 1913 may have hastened the outbreak of World War I. Klaus Maria Brandauer (Meryl Streep's husband in *Out of Africa*) stars in the title role.

Redl is one of this century's question marks. Was he a traitor who sold military secrets for cash, or was he the

A young man succumbs to the lure of power. Subordinating his every impulse to his ambition, he scales the bureaucratic ladder to become chief of national security.

Only then does he realize he has made a Faustian bargain.

He has sold his humanity to a political and social order riddled with deadwood and treason. It is too late for him to escape, but his demise sets off a chain of events that brings the whole system down.



fall guy for others—conspirators even more highly placed than himself? The possibilities have intrigued historians and artists for years. (Theatre fans will remember John Osborne's 1966 play on this subject, *A Patriot for Me*.) What makes this latest account so absorbing is that it focuses on Redl's inner conflicts, rather than the forces outside him. Brandauer's performance is a spellbinding study in ambivalence. His Redl is at once idealist and cynic, altruist and opportunist, patriot and traitor. He is a loyal soldier of his emperor, and at the same time a crafty bureau-

crat who enjoys manipulating people and events to his advantage.

One scene perfectly illustrates his dual nature. Successful at last, Redl finds his own file in a government archive. Alone, he reviews his career and his life. He then adds a single word to the official estimate of his character: "insincere."

There are Washingtonians who will see themselves in that scene. *Colonel Redl* is a haunting reminder of the toll power exacts from those who pursue it. *Colonel Redl*. (Orion Classics.) Directed by Istvan Szabo. ■



SHOW

Yes Prime Minister Posh Import for The Colonies

How does a shrewd career executive confess to his politico boss that he's flubbed up?

"The individual responsible for this alleged mistake you've indicated is of concern was none other than someone not unfamiliar with your current interlocutor...that is to say, a person toward whom I routinely refer in the perpendicular pronoun."

At least that's how true confessions are rendered in *Yes Minister*, a chipper Brit import currently airing on 41 public TV stations. Although the show is a satire of the English civil service, it transcends cultural boundaries, as a jolly good sitcom can, and zeroes in on that dusty corner of the human condition known as The Bureaucracy.

The series is set in a thinly disguised contemporary England governed by a Margaret Thatcher-style Conservative administration. We are privileged to view

the conservative policies as they affect the mythical Ministry of Administrative Affairs, and its cast of politicos and career civil servants.

The two main characters (this is satire—so there are no heroes) are the minister, a political appointee appropriately named Hacker, and the permanent secretary, a wily and obstructive civil servant named Sir Humphrey. Minister Hacker is a well intended but bumbling sort who, in his efforts to bring big government to rein, succeeds only in embarrassing himself. The people with the expertise to effect change are the civil servants, led by Sir Humphrey. But they are precisely the

ones who block or delay any significant threat to their privileged status quo.

If you've been enjoying *Yes Minister* this year, you'll be delighted to learn Hacker stumbles into the realm's top job in the sequel, *Yes Prime Minister*. The show airs on cable TV in August.

The overall theme will be apparent to political and career federal managers in America. We have our share of inept political executives—loyalty to the President is no guarantee of the skills needed to run a department. And too many of our career senior executives are more interested in protecting turf than in hearkening to the country's elected leadership. ■

Review by Thomas Kiefer

A new book, *Yes Minister*, scribed as Humphrey's diary account, is scheduled to be released in the U.S. by Christmas.



Book Review

Executivity of Dunces

By Morton C.
Blackwell

Young writers usually start with familiar topics. And Chris Buckley's *White House Mess* indicates he may have seen pompous opportunism up close.

His experience as a writer at the White House has given him a feel for the process, if not a respect for its participants.

Like most good satire, there's more truth than poetry in the book. In fact, working in the place often changes people for the worse. Perhaps Lord Action did not go far enough—even the appearance of power tends to corrupt.

If the title hadn't been used for a classic novel about New Orleans, Buckley could have called his book *A Confederacy of Dunces*. In the story, Reagan's liberal Democratic successor discovers people play along with power and even laugh at the new President's poor jokes. (A phenomenon also common with audiences addressed by lower level White House staff.)

The bitter struggles over parking spots, office spaces and Mess (restaurant)

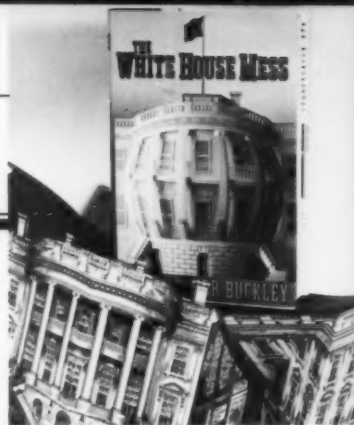
Buckley's book is reminiscent of the classic *Confederacy of Dunces*

privileges are not exaggerated. Grown men and women in government really do fight like dogs and cats, respectively, over such perks.

Descriptions of various White House offices as medieval dukedoms and baronages are apt. In the first Reagan term, it could be said fairly that decision-making was neither through a line organization (the Nixon model) nor by committee vote—popular in theory but productive of camels rather than horses.

The Reagan model tends to be a coalition of major barons, each of whom has a veto over most key decisions.

No character in Buckley's imaginary



Democratic administration is worth a damn in government. None has a rational understanding of the national interest. Yet the characterizations are such that *The White House Mess*. Christopher Buckley. (Alfred A. Knopf, Inc., 224 pages.)

the reader sees the principal figures as credible, even familiar fellows.

The author has no use for liberals in public service, and he sweetens the plot for conservatives by suggesting Mrs. Thatcher will still be Prime Minister in 1990. But federal executives and policy activists of all political stripes will find this book worthwhile amusement for a rainy Sunday afternoon. ■

Blackwell is President of the Leadership Institute and a former Special Assistant to President Reagan.

MANAGEMENT JOURNALISM AWARD to STATE MAGAZINE

Sanford (Whitey) Watzman, Editor

for Outstanding Work by a Government
Publication—Summer 1986

STATE, the U.S. Department of State's flagship periodical, presented a timely series of articles on the department's efforts to beef-up external security at American embassies in troubled regions of the world. STATE featured stories, question-and-answer articles, photographs and an excellent cover design.

Management journalism awards are presented to periodicals produced by federal, state or local government agencies for outstanding articles concerning management topics.

Supervisor's Lament

Our bureau's pace, once state of art
Good as any, now horse and cart.
While boss man brags retirement
Will be his out ere new ways start.

Will change then ax our ways?

For those like me who know old flaws,
Salute tired ways, dismiss new laws.
But why our cynic's point of view?
Held down too long, perhaps the cause.

Will change then ax our ways?

But new ideas require fights,
Risk some careers can that be right?
Though chief does greet retirement,
State legacy finds us in plight?

Will change then ax our ways?

SUPERVISORS' WINNING SEASON AT FLRA

By Stephen L. Atlas

Steps taken by managers to insure effective government have priority over unions rights to represent members, according to calls made by Federal Labor Relations Authority (FLRA) during the past year.

Office of Personnel Management's (OPM) Allan Heuerman, assistant director for Employee, Labor, and Agency Relations, describes several of last year's rulings as supportive of management's responsibility to keep government in top form. The following are three such decisions.

During the effective period of a labor-management contract, managers do not have to bargain over union proposals affecting employment conditions unless these proposals are clearly related to management-initiated changes (17 *FLRA No. 103*). The contract's stability as a foundation for day-to-day working conditions, says the Authority, would be undermined if executives were required to negotiate over union-initiated, mid-term bargaining proposals.

A shop steward's (union rep) right to use official time for union business must not interfere with management's ability to accomplish agency work, FLRA ruled in another key decision. It denied a proposal that a union be authorized 12 full-

time representatives. Explaining its decision, FLRA says, "where an agency can show, in the circumstances of a given case, that the use of official time will interfere with the accomplishment of the agency's work, the exercise of management's rights will take precedent" (19 *FLRA No. 23*).

Is a manager guilty of an unfair labor practice (ULP) when he or she by-passes the union and distributes questionnaires directly to unit employees? In an early ruling, administrative law judge (ALJ) Samuel Chaitovitz ruled against Internal Revenue Service, charging a ULP had been committed.

But the Authority reversed Chaitovitz, saying such questioning (provided it isn't an official negotiation) is a manager's responsibility. "Management must have latitude to gather information and opinions from unit employees to ensure the efficiency and effectiveness of operations" (19 *FLRA No. 48*).

Management 78 Unions 1

Federal managers scored upsets in other areas as well. During 1985, management appealed 108 arbitration awards favoring labor. The Authority agreed with 78 of those appeals (72 percent), a substantial increase over 1984's rate of

30.9 percent. By contrast, the Authority granted only one of labor's 107 appeals in 1985.

Negotiability determination is another area where management has registered big gains. FLRA ruled on the negotiability of 230 proposals and 90 percent (207) were deemed non-negotiable, or negotiable only with agency agreement. This follows a trend established over the past few years. In 1980, 43 percent of determinations were non-negotiable, and in 1981, the figure was 58 percent. Percentages jumped to 67 and 71 percent respectively in 1983 and 1984.

Management won a surprise upset in August, 1985, when FLRA, in a labor practice case, ruled that union reps do not have a right to participate in, or send observers to incentive awards committees (19 *FLRA No. 86*). The Authority reversed arbitrator William Naimark, finding management's right to direct employees, assign work and prescribe standards is violated by having union observers on such committees.

Authority decisions in 1985 provided banner support to solid management positions. Most employee relations observers look to FLRA for continued support of management initiatives which are helpful to the taxpayers. ■



Based on his rulings as the recently appointed head of Federal Labor Relations Authority (FLRA), Jerry Calhoun is proving to be no special friend of management.

Nor should he fill that role. As Chairman of the agency responsible for adjudicating federal labor/management disputes, he must avoid partisanship and be one part judge and one part referee. He makes the calls on issues which have been contested vigorously by employee unions.

Management asked Calhoun to discuss several of his controversial rulings and his philosophy on fair play at FLRA. Some language in those decisions raises questions among agency executives who challenge the view that FLRA's role is to shield labor's rear guard in an era of aggressive management reforms, or to seek artificial "balance" in its decision making rather than issue fair judgment calls.

Tying managers' hands?

In one case, the Authority adopted the DC Circuit's rule that in certain situa-

tions, "excessive interference," rather than merely "direct interference" with a management right, must be demonstrated in order to declare an issue "non-negotiable" (21 FLRA No. 4). Does this augur an era in which supervisors must work doubly hard through extensive union negotiations to accomplish agency goals?

Not to worry, Calhoun tells **Management**. "The excessive interference rule only applies to areas, covered in section 7106 (b) (3) of the Federal Labor-Management Relations Statute (*United States Code: section 5, chapter 71*), which have a present or potential adverse effect on employees—such as firings, demotions or reductions in force. Even in those areas, unions must demonstrate employees are so adversely affected that their rights outweigh those of management," Calhoun says.

The traditional "direct interference" test still applies to proposals where adverse effects are absent. A union proposal which would interfere directly with one or more management rights remains non-negotiable.

Paying traveling reps

Travel and per diem payments to reps on union business are negotiable rather than forbidden, Calhoun ruled (21 FLRA No. 2). While such payments are not required by law or regulation, they are terms and conditions of employment subject to agency discretion, he declared.

Despite that decision, Calhoun tells **Management** agencies still can make case-by-case determinations, based on federal travel regulations. If management disagrees with a union proposal to pay reps, it still can appeal to the Federal Services Impasses Panel.

Over 100,000 supervisors look to the Authority for fair management direction. FLRA walks a tightrope as it attempts to meet these management expectations while reviewing the rights of labor.

Like a rookie referee at Washington's RFK Stadium, Jerry Calhoun's performance at FLRA is being watched intently by Washington. ■

New Guy Steps Up at FLRA

ANOTHER VIEW

PRIVATIZATION **A Dissent**

By Representative Gary L. Ackerman

The Reagan administration's announced policy of relying on the private sector for goods and services assumes that "going private" will save money and still provide quality service. That claim never has been substantiated.

The push to privatize should be tempered by our experience with Office of Management and Budget (OMB) Circular A-76 which sets rules by which agencies determine whether to perform activities in-house or to obtain commercial contracts. My investigations of contracting-out have uncovered many flaws and failures which raise fundamental questions about privatization.

At three recent hearings by the Post Office and Civil Service Subcommittee on Human Resources, we uncovered reduced services, lower employee morale, incomplete contracts, cost overruns and unclear guidance from the administration on how agencies should implement the A-76 program. OMB was unable to tell us the actual net costs or savings on functions which had been contracted out, they don't even collect such figures. A-76 can be a useful means of enhancing government efficiency, by making agencies examine their functions and find more efficient ways of doing things. But when agencies rush into contracts the result is loss of accountability and expertise, lower quality work and increased cost to the taxpayer.

At one hearing, I released an Inspector General's report of an internal investigation of Army's implementation of Circular A-76. The report revealed Army is having trouble defining which activities are "commercial" and thus eligible for contract. The term had 17 different



definitions at the 17 bases surveyed. Army commanders also were having trouble writing accurate Performance Work Statements, which are the basis for any actual contracts.

We should be very cautious...

Most important, Army's confidential report acknowledged the saving attributed to the A-76 program were "highly suspect." As Army admitted at the hearing, "It was not a good news report." A-76 problems are not limited to Defense Department. The National Oceanic and Atmospheric Administration (NOAA) library in Rockville, MD, has had its contract solicitation rewritten at least 10 times in two years, and NOAA still has been unable to write an accurate statement of the library's work. I am convinced far more money has been consumed in payments to outside consultants

and in federal employee time to study the library than could possibly be saved by privatization.

These are not isolated examples. Yet, the administration is prodding agencies to review more functions for possible contracts. It also wants to modify the Circular in ways which would increase contracts. OMB plans to target certain commercial activities—data processing, janitorial services, vehicle maintenance—for direct conversion to contract, without any in-house competition or even a cost study. OMB also wants to designate certain "high potential" activities, for which agency heads would have wide discretion in deciding whether to do cost studies or go directly to contract. I believe cost studies always should be performed, because that is the only way we can insure government funds are being spent in the most economical manner.

Unlike other forms of privatization, where government sells off assets, A-76 doesn't shrink the size of government. It just takes money from the paychecks of federal workers and puts it into the pockets of private contractors. Some of the problems which the Subcommittee identified might be corrected through better management. But the larger question remains whether this type of privatization really serves the public interest. If our first experiment with "going private" is a shambles, we should be very cautious of those pushing to turn almost everything over to the private sector. ■

Rep. Ackerman is Chairman, Subcommittee on Human Resources, Post Office and Civil Service Committee, U.S. House of Representatives.

Let us praise the colonizers of dreams—Tolkien

Bulk Mail, from page 11

We're in the driver's seat

One example is National Freight Corporation, a firm not dissimilar to Postal Service's parcel division. In 1981, the government-owned trucking company, Britain's largest, was in severe financial straits due to inefficient work rules and stiff private competition. Faced with the prospect of massive layoffs, employees negotiated a worker "buy out" of the company. Under the agreement, 82 percent of the stock was turned over to more than half of the firm's 21,000 workers, their families and former employees. The results have been remarkable.

The new company's slogan "We're in the driver's seat," epitomizes the workers' new attitude toward bottomline productivity. Within four years the lumbering, loss-making firm had become an aggressive, profitable enterprise. Last year's stockholders' meeting was a sight: truck drivers, file clerks and three-piece-suited managers sat side by side, poring over National Freight's balance sheet. And they were all happy because the typical employee's investment in the company, about \$1,000 had grown almost tenfold in value since privatization.



Britain's method of privatization has not been contracting out, where public jobs are very much on the line...

There is nothing magical about what happened at National Freight. Nor at the Weirton Steel Corporation in West Virginia, another employee buy out which led to a remarkable turnaround. In 1984, the company faced bankruptcy and mass layoffs.

In an effort to forestall collapse, employees purchased the company. In March 1986, 8,000 workers shared over \$20 million in dividends. When people have a direct stake in their company, they take a very different approach toward the quality and efficiency of their work. This could have significant implications for privatization, particularly in the hypothetical case of Postal Service's bulk mail centers.

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Lex goes private

Consider once again our mythical Lex Johnson, Director of Mail Processing at a bulk mail center (EAS 23). He works in a national system, created in 1975, which has 21 centers spread across the country and a staff of about 22,000.

These centers process the non-urgent mail by moving it between sectional center facilities, the major distribution points serving dozens of post offices. BMCs handle fourth class (parcels), third class mail (circulars or "junk mail") and some second class mail. These classes constitute about 20 percent of the revenues and 40 percent of the mail handled by the \$27-billion-a-year Postal Service.

The separate facilities used by this division and the distinct nature of the BMCs (including some union distinctions) would make them worthy of serious consideration as candidates for a more innovative form of privatization—employee ownership.

Because the BMC system does not deliver directly to the customer there is no concern about traditions such as the sanctity of the post box. Also, there is no "counter" service, first class mail or any of the more complicated post office services. First class and Federal Express mail are moved through a separate processing network. Each BMC is simply a place for sorting and moving bulk mail around the country.

That separate structure makes it relatively easy to envision converting the BMC system into a private operation which would help cut Postal Service costs and give current managers, supervisors and employees the chance to fend-off their competition.

Steps to the new Corp.

The BMC privatization scenario takes four steps:

- Prior to "going private," BMC assets and employees would be formed into a separate federal corporation under the Postal Service umbrella. To separate the accounts of the new corporation, BMC system accounts would be credited with an agreed portion of the revenues for third and fourth class mail and with a portion of the revenues foregone in handling subsidized classes of mail. This would make the BMC a separate financial entity and thus easier to privatize.
- The rest of the Postal Service would then begin to pay the BMC corporation for mail transferred between the sectional service facilities (according to the above schedule). BMC



The key to success... various forms of employee ownership.

would be treated as a private contractor hired to transport and distribute mail. At this point, however, BMC and its staff still would be part of the Postal Service.

- The BMC would be transferred into the private sector by converting the federal corporation into a private corporation, with BMC (*Speedmail*) real estate and facilities as assets estimated at \$54 million.

Sweetheart deal

- Negotiating a three-year exclusive contract for all federal bulk mail would sweeten the deal. This would enable the fledgling firm to get on its feet and allow the worker/owners to compete in the marketplace. Thereafter, the BMC would have to bid against other firms for the Postal Service bulk mail contract. It would lose its "sweetheart" arrangement with federal agencies. The company would have to keep on its toes or risk losing these contracts to a competitor, such as UPS.

The new private firm would be owned by managers and employees, at least by those down to the level of bulk mail clerk. As it happens, BMC's closest competitor, UPS, is similarly structured and could serve as something of a model for an employee-owned bulk mail corporation.

UPS is owned and operated by approximately 11,000 stockholder managers. Each year, 15 percent of the company's profits are used to buy stock for the managers. The company buys back these shares when managers retire. UPS also maintains a thrift program for its other employees.

Why privatize?

This, of course, is where the typical postal manager asks the obvious question, "What's in it for me? Why should I give up my pension rights and the job security of a federal corporation?"

Lex Johnson, for example, was earning over \$43,000 a year when his bulk mail center was purchased by employees. If he had stayed in the civil service and retired at age 55 (after working 30 years) his annual retirement pension would have been about 53 percent of his final salary: \$22,800 in today's dollars. He is hardly going to be excited about becoming a private sector worker if he is asked to give up that kind of pension benefit.

One way out would be to offer a cash payment equal to the present-day value of those pension rights. That, of course, would mean a massive cash payment, and even if it meant economic gains in the long run, in the age of Gramm-Rudman this option is simply a non-starter.

A second approach would be to offer a bond that would provide an annuity upon retirement, based on a worker's accumulated pension. That, too, ultimately would involve a big cash transfer and the bond outlays would occur at exactly the same time the worker began drawing his Postal Service pension. The cost of this option, however, would be much less because younger workers, like Johnson, who had been transferred to a privatized BMC would have accumulated fewer USPS pension rights.

Transferring BMC assets also would be a way of compensating employees for the accumulated USPS pension rights they would forego by leaving public service. The new worker/owner would have title to stock, based on the value of BMC assets, and as in the case of UPS, this stock would be bought

back by the company (for cash or an annuity) when the employee retired. Some bond and stock combination could be packaged to eliminate any cost perceived by an employee in transferring to the private sector.

The privatized BMC system also would be given the right to develop additional services in order to compete in the wider private market. The right to diversify would make the firm less dependent on the Postal Service, and thus better able to withstand the possible loss of the federal contract. It also would give the new owners the incentive to use their skills and assets more efficiently, increasing their chances of making money.

The owners might decide, for instance, to set up their own parcel delivery system, and compete head-to-head with UPS. Being separate from the post office system, they could design a system specifically for parcel delivery.

There is no way to predict what a privatized BMC system might look like after five or 10 years. Perhaps Lex Johnson's *Speedmail* would have negotiated for counter facilities at Safeway supermarkets or gas station chains to receive parcels. Maybe private businesses would be using the firm to presort items before taking them to the Postal Service. Nobody can say, but the employee/owners would have a healthy financial incentive to seek the best ways to expand their businesses and please customers.

Today there are absolutely no such incentives. And with technology in the communications industry changing so rapidly, it makes sense for postal managers to think very seriously about whether they want to be "in the driver's seat," along with Britain's National Freight, or tie their careers to a mail system that shows signs of becoming a dinosaur. ■

Stuart Butler is Director of Domestic Policy Studies at Heritage Foundation. Contributing to this article: Dr. Leonard Merewitz, Special Assistant, U.S. Postal Rate Commission.

Privatization Pathfinder



Britain's Stuart Butler has written a dynamic book about the benefits of moving U.S. government programs into the private sector. In *Privatizing Federal Spending*, he guides Washington readers through the complex but "rewarding" steps of going private.

In England, privatizing a program usually means totally ending government's role in providing that service.

Butler makes, a good argument for importing this "hiving off" form of privatization. Employee ownership is the key to cutting government waste and expenses, he says, "because it provides people with a stake in an asset and encourages them to manage and use it efficiently." Butler also discusses projects such as allowing renters to buy their public homes and selling or donating federal wilderness to the Sierra Club or similar groups.

Butler's book put privatization on the U.S. policy map. Executives unacquainted with the text should consider adding it to their summer reading lists. (*Privatizing Federal Spending*, Universe Books, New York, 1985)



Gerald Riso

PCMI Vice Chair's Strategy for

Gerald Riso, Interior Department's assistant secretary for Policy, Budget and Administration, has been selected to serve as vice chairman of the President's Council on Management Improvement (PCMI). The Council has been charged by the White House to establish procedures which will allow managers to make money-saving changes in the operation of their agencies.

Riso believes the group, formed in

1984, has the potential to streamline government operations. "But what agencies get out of PCMI," says the new vice chairman, "depends on what their individual representatives on the Council put into it."

President Reagan formed PCMI as a forum to get a handle on ballooning programs and runaway processes. He selected individuals in 23 agencies who already were acquainted with Reform

Reform Scores Savings for

Charlie Cohen says his bureau doesn't lack creativity when it comes to saving a buck. "We're always looking for ways to save money, no matter how unique the approach."

Cohen's outfit uses several aircraft seized from illegal drug operations to help U.S. Marshalls transport federal prisoners from state to state. He is chief of Transportation and Air Operations for the National Prisoner Transportation Service. This unusual but perfectly legal use of confiscated goods helped move 74,000 prisoners in 1985, double the 1980 figure. Increased use of buses and travel agents to book discount commercial flights also has contributed to the department's shaving \$166,000 from 1983 transportation costs.

Escorting prisoners in an unusual fashion is just one of many agency-specific innovations occurring under a new managerial attitude coming out of the White House.

President Reagan's Reform '88 program is creating a managerial environment which encourages managers and executives to experiment with alternative approaches for getting jobs done.

These experimental methods help capture dollar savings for government shops which may have been operating "in the red." While budget officials support a policy of using existing resources where possible, they realize even upgrades don't always work best. Sometimes starting from scratch may be the wisest course of action.

Washington observers say the reform program assists thoughtful and budget-conscious managers as they travel today's tough, new path of fiscal responsibility. These innovations are occurring in cash management and other areas of government, and the following examples illustrate measures men and women throughout government have explored.

Loan delinquents pay up

Automation improvements played a role in a major money-making operation jointly conducted by officials at two agencies. Managers at the Department of Education (ED) have decided two agencies can collect a federal loan better than one. Working closely with Internal Revenue Service, Education is taking a big bite out of delinquent student loans. After giving

fair warning to appropriate persons, ED supplies IRS with automated lists of debtors' names which then are cross-matched against tax returns for possible withholding action.

Legislation contained in the Deficit Reduction Act of 1984 paved the way for using federal tax refund monies to offset such debts. The not-so-subtle touch grossed over \$135 million by early spring of this year.

Took a licking, kept ticking

Thousands of wage earners may remember that problems plagued IRS during the 1984 tax filing season. This year's "early returns" are in and the results show a remarkable recovery. And the future looks even brighter as IRS moves to have tax returns electronically "mailed" to IRS.

The stamp-less return was conceived in the early '80s, when former Commissioner Roscoe Egger challenged his research execs to capitalize on advanced technologies. President Reagan's management and productivity goals helped boost the project.

Commercial tax preparation offices will send returns electronically to appropriate

Treasure Trees, from page 18

retirement to custodians. This facilitates transfer of jobs to the private sector.

Proponents argue that incentives for federal managers are essential if privatization is to succeed in Washington policy circles. Office of Personnel Management has taken a major step in that direction by issuing a draft revision to the Supervisory Grade Evaluation Guide for agency comment. The new Guide gives greater credit to managers overseeing contract operations than to execs who may be directly supervising larger staffs. Other incentives being

considered by the PCMI are various methods of sharing with employees cash savings from privatized projects.

Privatization: a treasure

Privatization won't always come easy, but federal managers should not view the initiative as a "black spot." They, more than any other group, stand to gain from these projects. Indeed, some former public employees are discovering privatization benefits—such as stock ownership in their firms and collective bargaining over wages.

Managers' concerns span philosophical debates about the

'87—Team Effort

'88—the Office of Management and Budget's cleanup campaign for administrative procedures throughout government. Most are associate secretaries for management in their respective departments.

But Reform '88 and its plethora of projects are just some of the initiatives the President's Council discusses on a routine basis when they meet monthly in Room 248 of the Old Executive Office Building.

"What agencies get out of PCMI depends on what their individual representatives on the Council put into it."

General committees develop suggestions, initiate task groups and coordinate a variety of existing programs.

For example, the Organization and Structure Committee recently rewrote an OMB regulation on internal controls to prevent waste, fraud and abuse. The rewrite, awaiting final approval, puts greater emphasis on fixing problems rather than on diagnosing administrative requirements. ■ M.O.

Agencies

By Sharon J. Wells and Michael W. Orenstein

IRS service centers. The procedure sharply cuts the amount of paper-intensive work handled by prep crews and reduces the agency's dependence on high cost seasonal employees. An IRS spokeswoman said yearly personnel costs could be cut by \$30 million.

In IRS pilot studies this year in Cincinnati, Phoenix and Raleigh-Durham-Fayetteville, over 30,000 tax returns were wired to Cincinnati's IRS service center. Electronic filers received their refunds several weeks earlier than those who filed the traditional way.

"Electronic filing is a significant step toward improving tax administration," says Carolyn Buttolph, project officer in IRS' research division. "For us, it's comparable to Edison's light bulb. Its potential is almost unlimited." She predicts electronic filing eventually will move 32-40 million returns each year and offer conveniences like direct deposit of refunds into savings accounts.

Procurement diet

The abundance of state-of-art automation at government's fingertips can lead to confusion in coordinating purchases as individual managers occasionally overlook

the need to build compatible systems. The President's Council on Management Improvement is promoting a cohesive, government-wide procurement program. Perhaps, as one official suggests, what's needed is for a single agency to step forward and lead by example.

Health and Human Services may emerge as that agency. It is curbing its "piece-meal" procurement appetite with CARES (Combined Automation Resource System), a department-wide program to build compatible automated systems.

Social Security Administration and Office of Human Development Services are the two bureaus at the front of the Department's new program. By 1987, however, all divisions are expected to be on line.

Department of Transportation officials report \$11 million in savings over a three year period after they implemented just two of the management improvements recommended by Reform '88 experts.

An automated bill-paying system insures neither early nor late payments are made to vendors doing business with DOT. Holding payments until the precise due date increases interest earnings for Uncle Sam. DOT also has contracted with

a commercial travel agency to book flights and make other reservations. Professional travel agents are securing greater numbers of discount air-fares and lodgings for traveling managers.

Bob Matthews, a DOT management analyst, says his agency's budget is the big winner. "DOT pays no out-of-pocket service fees to the travel contractor."

And DOT also is cutting back on cash advances to its traveling reps. No-fee credit cards and travelers checks are replacing cash for many of the agency's travelers.

Perhaps the most intriguing of the department's initiatives is the privatization of one of its test centers. In 1985, Federal Railroad Administration contracted with the railroad industry's trade association to operate the Transportation Test Center in Pueblo, CO. While retaining priority use of the facility for safety tests, DOT was able to reduce its on-site staff to one contract management official. Transportation's budget requests to Office of Management and Budget for fiscal 1985-87 reflect savings of \$15.5 million. ■

merits of the plan and pragmatic questions about careers and paychecks. But the prognosis for new incentives for privatization is good. Some agencies already are making use of existing authorities to test various approaches. General Services Administration, for example, allows its employees to bid for A-76 contracts under specified circumstances.

A growing network of entrepreneurs in our federal system are discovering the managerial and financial rewards to be had through privatization. Other managers and executives should consider joining the treasure hunt.

"All of us had an ample share of the treasure, and used it wisely or foolishly according to our natures. Captain Smollet is now retired from the sea. Gray not only saved his money, but, being suddenly smitten by the desire to rise, also studied his profession; and he is now mate and part owner of a fine, full-rigged ship; married besides and the father of a family." ■

Peter Durant is an OPM employee and a member of PCMI's Privatization Concerns Task Group.

In Brief

A Legal Look At Privatization

Conflict of Interest: Can Managers Privatize Their Operations?

By James L. Byrnes and Stuart D. Rick

Several statutory and regulatory restrictions must be considered if federal employees are to be able to bid on their jobs which go the way of privatization.

Criminal conflict of interest laws, codified in 18 USC 203 and 205, are potential restraints on managers and employees attempting to convince their agencies they are the best ones to provide services which are being privatized. However, a thorough analysis of statutes by the Department of Justice is needed

to determine whether the laws apply to the rather new concept of privatization. Allowing federal managers and employees to bid on their jobs could be analogized to participation in cost determinations made under A-76 procedures which directly affect their continued federal employment.

It seems the statute is not intended to stifle legitimate efforts on the part of government to downsize, but simply to prohibit the use of government employ-

ment to obtain unjust enrichment beyond one's federal salary.

Because the notion that a federal employee should be allowed to bid on a job he currently has is grounded in fairness and equity, any administrative restraints on such employee participation must be rethought. Indeed, the Federal Acquisition Regulation prohibits contracts between the government and federal employees or business concerns which are substantially owned or controlled by such

Personnel Obstacles

By Richard A. Ong

Given the complexity of federal personnel management, advanced planning for privatization must be carefully drawn to overcome various obstacles.

First, Congress has taken a strong interest in contracting out certain government activities, pursuant to Office of Management and Budget Circular A-76 (Performance of Commercial Activities). Congress may be expected to respond to objections of constituents whose interests are perceived to be adversely affected. Since January, for example, Congress has moved to restrict A-76 applications in at least 11 instances by means of appropriation acts, authorization acts and other agency-specific legislation. In addition, there are four bills pending before Congress intended to further restrain contracting.

Second, opposition also can be expected from public employee unions concerned about losing members and protecting their members' jobs. However, most agencies which contract activities have been able to absorb virtually all civil servants who were unable or unwilling to take jobs with the new contractor when their federal positions were eliminated. Furthermore, Federal Acquisition Regulations (FAR) impose an obligation

on contractors to give displaced employees the right to priority consideration (*Section 7.305 c*).

Nonetheless, public employee unions have not shrunk from court challenges to the A-76 program. Typically, such challenges fail as the courts determine that neither unions nor their members have the requisite "standing" to bring the suit (*AFGE Local 1668 v. Dunn*). Courts also are reluctant to permit such challenges because A-76 decisions are committed to agency discretion and therefore not subject to judicial review (*AFGE Local 2017 v. Brown*).

In another approach, one union has tried unsuccessfully to undermine contracting authority by claiming A-76 procedures must be negotiated under the federal labor relations statute (*Defense Language Institute v. Federal Labor Relations Authority*). In *Equal Employment Opportunity Commission v. Federal Labor Relations Authority*, however, the U.S. Court of Appeals for the District of Columbia Circuit reached a conclusion different from the Ninth Circuit in *Defense Language Institute*. Unfortunately, the Supreme Court has declined to review the case, leaving a serious conflict between two federal judicial circuits on

management's right to privatize and contract out without bargaining with labor (744 F.2d 842—D.C.Cir. 1984, cert. granted, 105 S.Ct. 3497, 87L.Ed.2d 629, 53 USLW 3894—1985).



Government procurement law imposes certain restrictions on present and former federal employees who might wish to compete for the contract to manage the facility being privatized. FAR, for example, prohibits contracting officers from awarding contracts to existing government employees or to businesses substantially owned or controlled by current government employees (*Section 3.601*). This FAR provision almost certainly was not meant to apply to contract actions in which it is contemplated the potential civil servant contractor will terminate his federal employment prior to or at the time of the contract award.

In Brief

employees, except for "the most compelling reasons." Fortunately this type of prohibition was not intended to prohibit contracting out or privatization and can be changed administratively to accomplish these worthy objectives.

Additional administrative protections would be needed to assure privatization decisions are made only on the basis of the public interest. Such protections might include insulating an employee bidding on a contract from the actual decision making process. This would eliminate an actual or apparent conflict of interest situation.

Likewise, to avoid the charge that government employees unfairly influence

A thorough analysis of statutes by the Department of Justice is needed.

ed the bids on contracts, government may wish to give monopolies, for a certain period of time, to its employees before allowing bidding by other private companies. Such a policy would have the dual advantage of allowing employees time to get their new operation "up and running" as a private business before having to compete with private sector

companies. Therefore, the decision to privatize could be made on the broad basis of the public interest and budgetary necessity.

Privatization and smaller government appear inevitable. It would be both humane and practical for federal employees not to be foreclosed from acceding to jobs for which they have years of expertise. An immediate effort should be made to ensure the reach of otherwise worthwhile ethics laws and regulations do not bar federal employees from such opportunities.

James Byrnes is OPM's Deputy General Counsel. Stuart Rick is an attorney in OPM's Office of General Counsel.

Please turn to Page 40

Status of Unions During Privatization

Finally, certain practical difficulties inhibit the administration's ability to privatize by contracting out. The non-transferability of Civil Service Retirement System benefits, plus the substantial limitations on the ability of federal agencies to give severance pay to employees likely to be affected by A-76 contracting actions, decrease the flexibility of agencies in designing privatization projects attractive to federal managers.

A lot of employee opposition probably would evaporate if agencies could award contracts directly to employees without competition. Such a "sole source" contract would give affected employees a personal stake in privatization initiatives offering them a chance to be their own bosses. As owners of a new firm they would enjoy guaranteed business from their former federal employer for a stated period of time. The federal procurement statute, however, prohibits such "sole source" contracts unless an agency head can demonstrate the "public interest" requires non-competitive procedures. It is untested in court whether or not the need to gain employee support is such a public interest.

Richard Ong is special assistant to OPM's General Counsel.

Contracting or privatizing functions currently performed by federal workers could have a profound impact on unions which represent government employees.

Large-scale reductions in the number of employees in existing collective bargaining units caused by moves to the private sector would substantially change the composition of bargaining units representing federal employees.

In future years, this would reduce the unions' power bases in terms of potential membership and might lessen union demands on agency management for bargaining and representational activities. Also, unions would lose their exclusive membership pool inside organizations which are privatized and have to compete with private sector unions in order to continue representing employees.

Current employees who transfer to the private sector through contracting out or privatization are no longer "federal employees" under the Federal Service La-



bor Management Relations Statute and hence no longer limited to participation in those labor organizations authorized by Federal Labor Relations Authority. Indeed, individuals who become "shareholders" through privatization—with the right to negotiate their own rates of pay and benefits—may have interests inimical to those of their former unions and traditional memberships.

WINNING★IDEAS

From Feds

Management is pleased to spotlight employee suggestions which have saved money at federal agencies. These ideas have appeared in the *Incentive Awards Notes* newsletter published by Office of Personnel Management's Incentive Awards Branch.

Bar codes save \$ millions

Taking inventory is a necessary but time consuming chore for government agencies. Interior's Bureau of Reclamation (BR) in Boulder City, NV, manually conducts a biennial inventory of 12,000 items. The count includes—but is not limited to—typewriters, calculators and motor vehicles and requires three to four months. Harry Nesbit, BR's Chief Regional Property Management Officer in Boulder City, has found a quicker way: placing optical scanner bar codes, similar to those used by supermarkets, on each item.

To use bar codes, the inventory clerk runs each product through an optical scanner. A computer prints out a list of items and the rooms where they are located. Nesbit estimates the new system will cut inventory time at least 50 percent, saving about \$125,000 biennially. Nesbit's system also can track warehouse supplies, correspondence, receipts, maps and other items which must be inventoried.

Advertising jobs

Federal government spends nearly \$300 million annually advertising job vacancies in magazines, newspapers and other print media. Department of Defense (DOD) alone spends nearly \$190 million. Lynn Lucchetti, Director of DOD's Joint Recruiting Advertising Program, wondered whether a DOD "corporate rate" could reduce costs for all DOD agencies. But why only DOD? Lucchetti formed an alliance with 10 civilian agencies to request a special "U.S. government rate" for magazine and newspaper advertisements. Instead of low frequency and high rates (a result of each agency negotiating individually), member agencies benefit by high frequency and low rates. DOD and other agencies saved between \$1.5 and \$2 million the first year (1984) and Lucchetti estimates future additional savings of \$175,000 and \$200,000 annually.

Lucchetti hopes to expand her operation to other areas and is awaiting response to her latest idea: a new chapter of the *Federal Acquisition Regulation* on purchasing space in non-print media. ■

Prepared by Stephen L. Atlas and Frank Cavanaugh.

In Brief

Managerial Scoop on Unions

By James F. Hicks

Agency labor relations officials may wish to petition FLRA in the event functions are privatized to clarify matters relating to a union's ongoing representation inside their departments. Such clarification is appropriate where the agency has a good faith doubt that the currently recognized or certified labor organization represents a majority of the employees in the existing unit. A substantial change in the character and scope of the unit may raise questions concerning

its appropriateness as a representative for employees. ■

James Hicks is an attorney in OPM's Office of General Counsel.

Unions and Privatization

Allan Heuerman, Office of Personnel Management's Assistant Director for Employee, Labor and Agency Relations, offers a few guidelines to management execs in the labor relations field.

- When a federal activity or organization goes private, the union does not have any "carry-over rights." It must compete, under National Labor Relations Board (NLRB) procedures, with private unions to represent employees.

- Private sector labor-management relations also are covered by the NLRB. Therefore, the FLRA no longer has any jurisdiction over labor-management relations.

- Both private and federal sector employees have the right to choose a union. Any union may petition the NLRB for an election.

- Employees have the right to waive union representation entirely. ■

A Checklist To Help You During Furloughs



Furlough Facts

A survival guide for innovative

Budget cuts are squeezing most government have to use short-term furloughs (up to 22 work goals. Innovative managers can initiate strategic fewer resources. Here is a bare-bones checklist

Plan Ahead

- Consider reimbursable details to other agency furlough days.
- Offer a leave-without-pay option to staff.
- Encourage voluntary job sharing. Perhaps and work one common day each week.
- Schedule furlough days in advance—do salaries.
- discretionary leave days.

The Office of Personnel Management (OPM) employees may not use paid leave such as the primary purpose of the furlough: savings

Organize for efficiency

- Delay work that can be postponed
- Cross-train employees to help your
- Diversify work, whenever possible

Motivate and communicate

- Check this year's and next year's able for awards to employees. portion of money saved by the individually or as a group) who a suggestion that cut costs.
- Tell employees the facts about financial adjustments.

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S:

ative managers

ment agencies and some managers may
work days) to meet cost reduction
strategies to accomplish their work with
checklist for managers faced with furloughs:

r agencies to save personnel costs and cut
staff.

perhaps two employees could alternate days
week. Result: a 40 percent savings on two

—don't let them become an extension of

ent (OPM) has ruled that during a furlough,
such as annual or sick leave as this would defeat
gh: saving money.

oned and concentrate on priority projects.
your operation run smoothly during a furlough.
ossible, to prevent monotony and burnout.

icate

ext year's budgets to identify sources and amounts avail-
oyes. Implement a "gain-sharing program" in which a
by the government is shared with those employees (indi-
who made it possible—through their work or by making
costs.
s about furloughs—give them time to make personal and



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Reactions... Rebuttals... Retorts

“Constance Horner has outlined a blueprint for changes she hopes to make. She works closely with OMB's Deputy Director, Joseph Wright Jr., who has made 'reform' of the civil service one of his major goals this year.”

Mike Causey
Washington Post

“Federal workers threatened by budget cuts next fiscal year should ignore **Management's** article on OMB's Reform '88. Joseph Wright's tips may save nickels and dimes, but a superior strategy is to organize against any cutbacks. While other publications help mobilize against major fiscal surgery, yours passes along managerial first-aid. Also, your poem on Reform '88 was very bad.”

(Name withheld)
Defense Supply Agency

“At a glance, the photograph inside **Management** magazine (Vol. 5, No. 4), looks like one of those credit card advertisements...except in this case, the face belongs to Edwin Meese 3d.”

New York Times



“Your story, 'A Controversy: Origins of '88' (Vol 5, No. 4) was most impressive. However, we are not in a contest with Joe Wright as indicated in the article. Au contraire—he has been super in working with us for the last four years. Again, many thanks.”

J. Peter Grace

“Thru channels and powers unknown to me, I had the good fortune to become acquainted with the 'Peter Drucker' edition (Vol. 5, No. 3) of **Management**. I hope future editions will equal it. Congratulations on successfully fulfilling a need experienced by frustrated government managers.”

James M. Henry, M.D.
Colonel, MC
Department of the Army

“I found the article by Peter Drucker (Vol. 5, No. 3) a real booster. May future editions of your magazine be as interesting and educational as this one.”

Dan Horigan
The Canadian Organization of
Small Businesses



The Ms. Management column takes to the road, as fan Cheryl Meyers displays her affection on a license plate.

“I have just received my first copy of **Management**. It is lively, attractive, and begs to be read—a really first-class job of magazine-making. Is this really the product of the same lumbering federal bureaucracy that gave us 'HOV' highways and a 10,000-page Internal Revenue Code? Congratulations. And keep it coming.”

Herb Berkowitz
Vice President
The Heritage Foundation

“Ms. Management's reply to 'Dally to Tally' (Vol. 5, No. 4) should have defined 'minor tasks' that are not to be included in position descriptions. I believe that making coffee (especially non-drinkers) and personal services are duties employees should not be expected to perform. Also, why not run the entire 'Authorized Pay and Leave Table' chart (Winning Fed Ideas!) in your next issue so others will be allowed to use your suggestions?”

J. Morris
Washington, DC

I CAN OFFEND ALL OF THE PEOPLE SOME OF THE TIME, & I CAN OFFEND SOME OF THE PEOPLE ALL OF THE TIME, BUT I CAN'T OFFEND ALL OF THE PEOPLE ALL OF THE TIME!



DOER'S PROFILE

A thirst for accomplishment—



James C. Miller, III

Director, Office of Management and Budget

"We in government are keenly interested in cost-effective provision of publicly financed services to the American people. Government, however, is not always the most efficient provider. Sometimes the private sector has the resources, the freedom and the incentives to do a better job.

"Privatization has been used with great success by state and local governments. We've seen everything from garbage collection, to street repair, to emergency ambulance services contracted out at lower cost to taxpayers and with improved services to constituents.

"In view of such theoretical arguments and empirical evidence, I strongly believe federal managers should have requisite flexibility to decide how best to serve the public—whether to provide services directly or go to the

private sector. A willingness to take on such responsibility, after all, is the hallmark of a good manager.

"I know, of course, one of the most difficult facets of privatization is convincing constituents they will benefit from change. That's where the government manager-as-salesman comes in. And that's where this issue of *Management* should be especially helpful. It spells out in some detail the rationale for privatization and the kind of results you are likely to expect.

"Now a personal note: After a hard week at the office, I find particular pleasure in taking the family up to our cabin in the Blue Ridge Mountains. There I can listen to bluegrass music, put things in perspective, recapture my objectivity and rejuvenate my spirit."

MANAGEMENT

